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Executive Office of Communities and Development

Transition Report

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EXECUTIVE OFFICE OF COMMUNITIES AND DEVELOPMENT

Transition Report

I. Overview

The Executive Office of Communities and Development (EOCD) is the state's housing and community development agency. EOCD's broad mandate includes five major operations to accomplish its mission:

1. Public Housing Production and Operation - EOCD provides funding and management oversight for more than 47,500 units of public housing, directly operated by 250 local housing authorities.

2. Rental Assistance and Homeless Prevention - EOCD provides some 32,000 certificates to subsidize the monthly rent payments of low-income citizens in private apartments.

3. Private Housing Development and Rehabilitation - Through a variety of incentive programs, EOCD encourages the construction and retention of affordable rental housing and homeownership alternatives for low and moderate income citizens.

4. Services to Low-Income Citizens - EOCD administers fuel assistance and weatherization grants and a range of community-based services for low income citizens through a statewide network of non-profit agencies.

5. Assistance to Municipal Governments - As the principal administration advocate for local government, EOCD manages several grant programs and technical assistance for cities and towns in the areas of economic development, community development and municipal planning and management.

With only 270 employees, EOCD manages an annual operating budget of $409 million (state and federal funds) and an ongoing construction and capital improvement program of $160 million. Appendix 1 includes budget information comparing FY 89 with FY 91, broken down by source (state, federal, trust, and capital) and by EOCD division.

The impact of these resources is multiplied through partnerships with hundreds of local organizations: housing authorities, municipal governments, non-profit groups, and private developers. In addition, EOCD works closely with a number of quasi-public corporations and actively participates on a wide array of inter-agency working groups.

The functions listed above are clearly interrelated, and EOCD's success in carrying out its housing and community development mission depends upon all of them residing in a single agency. With the recently-signed federal housing bill placing greater emphasis on state and local involvement in planning and service delivery, many states are now moving to consolidate these dispersed functions in a single state agency. As the model for many of the new initiatives in the housing act, Massachusetts is well-poised to compete successfully for federal funds.

EOCD is organized into four operating divisions:

- o Division of Public Housing
- o Division of Private Housing
- o Division of Neighborhoods and Economic Opportunity
- o Division of Municipal Development

In addition, there are several key staff and support offices also reporting directly to the Secretary. (See Appendix 2 for Organization Charts.)

II. Division of Public Housing

	Budget	
	1989	1991
State	$139.2m	$149.3
Federal	65.4m	88.0
Capital	181.8m	134.4
Trust		
TOTAL	$386.4m	$371.7

A. Public Housing Operations

EOCD's Public Housing Division is responsible for producing and providing management oversight for the state-funded public housing stock in Massachusetts. In addition, the Division manages state and federal rental assistance programs. The Division has 40 personnel funded from the state operating budget, nine less than in December, 1988.

The 47,500 units of public housing are managed on a daily basis by 250 local housing authorities. Tenants meeting income limits are selected from waiting lists according to statewide procedures, and rent is charged at a rate of 25% of income (after deductions). The housing authorities submit annual budgets for EOCD approval, following state guidelines and receiving approval by each locally appointed or elected authority board.

While some authorities are self-sustaining, most depend upon EOCD to provide an annual subsidy. In FY 91, some $27.3 million has been appropriated in this account for public housing operations, $2 million less than what was expended in the prior year. In response to budget cuts, EOCD has required a 5% cutback in the budgets of local housing authorities and has established additional controls over expenditures. Nevertheless, with major increases in heating and other utility costs, rising municipal fees, and other inflationary pressures, this account is clearly underfunded.

To help resolve this shortfall, EOCD has proposed legislative changes to generate new housing authority revenues by:

- increasing the share of each tenant's income for rent from 25% to 30% (matching the standard for federal housing);
- recapturing and reallocating excess subsidies and reserves that have accumulated at some authorities;
- authorizing increased use of fees for some tenant services; and
- changing the standard for determination of wage rates for maintenance workers.

See Appendix 3 for the legislation incorporating these changes.

Most of the 47,500 public housing units were constructed more than 20 years ago, and protecting their estimated $4.3 billion replacement value has required the expenditure of $301.5 million in bond funds since 1983. These funds have helped upgrade building systems, pay for major exterior repairs, install energy conservation measures, and generally improve the living conditions for public housing tenants.

Yet the need for such major capital expenditures has not been completely met. According to a recent study, at least $144 million will be necessary over the next five years to keep all units in condition to be occupied and to meet current mandates for public health and safety.

B. Public Housing Production

Throughout the 1980's, housing prices in Massachusetts increased at twice the rate of personal income. At the same time, federal housing funding decreased by 77%. As a result, the demand for low-income housing continued to grow. An estimated 50,000 Massachusetts resident/households who qualify for public housing are currently on housing authority waiting lists, with waiting periods averaging 4 years for families and 12-18 months for elderly households. For many of the Commonwealth's population of about 4,000 homeless individuals and families, public housing provides the only long-term solution.

EOCD has funded the production of more than 5,500 new units of public housing by local housing authorities since 1983 for low-income families, elderly citizens, and persons with special needs. Capital funds provided by housing bond bills passed into law in 1983, 1985, and 1987 have been nearly exhausted, and a new housing bond is essential if the Commonwealth is to continue to meet the growing need for new public housing and for capital improvements to existing public housing. Moreover, with the current economic downturn, a new housing bond will allow the Commonwealth to take advantage of low bids in a highly-competitive construction market, while helping to "prime the pump" for the state's economic recovery.

C. Rental Assistance

EOCD directly funds both local housing authorities and regional non-profit agencies to administer the state-funded Chapter 707 rental assistance program. The U.S. Department of Housing and Urban Development (HUD) directly funds both EOCD and housing authorities to administer a second, federally-funded Section 8 program. EOCD in turn subcontracts with ten regional non-profit agencies to administer its Section 8 allocation, which represents approximately 28% of all Section 8 rental assistance in the Commonwealth.

Under the Section 8 program, a tenant generally pays 30% of income towards rent. The Chapter 707 program requires the payment of 25% of a tenant's income. Income limits are similar for the two programs. Once eligibility has been established by the local housing authority or agency, a tenant receiving a certificate or voucher will be referred to an owner of private rental property. Rent and utility levels are periodically established by the state or federal funding authority.

Currently, there are some 10,000 tenant-based rental assistance certificates under EOCD's federal Section 8 program and approximately 13,000 under Chapter 707. In addition, "project-based" certificates are issued under both programs to provide a guaranteed rent stream to an owner who constructs or rehabilitates affordable rental property. Some 9,000 certificates have been issued in this manner, two-thirds of them under Chapter 707.

Over the past two years, the rental assistance programs have been utiliized by EOCD in a major effort to reduce homelessness. Non-profit housing agencies have been actively involved in this program, and some local housing authorities have also participated. This has created some conflicting priorities, and local authorities have filed legislation to gain exclusive control over the distribution of state and federal vouchers and certificates. EOCD supports continued distribution through the

network of six regional non-profit housing agencies, who have managed the program well and successfully target these resources to citizens who are either homeless or at risk of homelessness and not otherwise likely to be served by many of the locally administered rental assistance programs.

State budget cutbacks over the past year have led to the "freezing" of Chapter 707 certificates. Some 1,500 certificates that would normally be turned over this year will not be reissued. In the face of a deepening economic downturn, this reduction in available certificates will almost certainly mean an increase in the homeless population.

II. Division of Private Housing

	Budget	
	1989	1991
State	$37.9m	$47.3m
Federal	-	-
Capital	4.9m	10.0m
Trust	-	-
TOTAL	$42.8m	$57.3m

EOCD's Division of Private Housing is the agency's office most concerned with responding to the changing housing needs of

the Commonwealth. The Division oversees EOCD's **private rental** and **homeownership** programs. Each of these programs was a first-in-the-nation effort to increase the supply of affordable housing. Each program has been retooled to meet emerging housing needs. The Division's programs address a wide range of housing needs of low-income families, elderly persons, and persons with special needs.

The Division has increased its capacity to manage and preserve the stock of affordable, privately owned housing in Massachusetts. Over the past five years, the Division's programs have assisted in the creation of more than 25,000 units of privately-owned, mixed income, rental and homeownership housing.

EOCD allocates the housing portion of the state's authority to issue **tax-exempt Private Activity Bonds**. Housing must compete with student loans, wastewater treatment facilities, and other public works for a share of the limited volume of tax-exempt bonds allowed by the federal government. EOCD has been a clearinghouse for allocating the **volume cap** between state- and local-level housing finance agencies. Loans made from the issuance of tax-exempt bonds typically result in interest rates 2 percent below market interest rates. EOCD allocates the housing portion.

EOCD has filled the void left when the federal government abandoned its fifty-year commitment to develop new and rehabilitate existing housing for low-income persons. Since 1980, federal funding for housing has been reduced by 80 percent -- a greater reduction than in any other area of federal spending. EOCD helped create an affordable housing delivery system without massive federal support. After ten years of EOCD efforts, there is in place a network of local housing partnerships, local housing authorities, non-profit and for-profit development corporations, and neighborhood-based housing organizations with the capacity to build and preserve affordable housing.

Massachusetts is uniquely positioned to take advantage of new programs and funding through the Cranston-Gonzales National Affordable Housing Act. The Commonwealth has a successful history of leveraging federal housing funds, of developing statewide plans for focusing limited resources on the most serious housing problems, and building partnerships.

Adapting Rental Housing Programs to Emerging Needs

The five principal private housing programs came into existence at different times over the past eight years -- meeting housing needs as they emerged. The six programs are SHARP, R-DAL, TELLER, HIF, and Low Income Housing Tax Credits. During the

1980's, these programs not only expanded the supply of affordable housing but also helped stimulate the state economy by leveraging private investment in the production of affordable, mixed-income housing. These programs became the main engines for the achievement of goals under Chapter 774, the state's **Anti-Snob Zoning Act**. Chapter 774 of the Acts of 1969 establishes standards under which local Zoning Boards of Appeals can override overly restrictive zoning ordinances and by-laws and grant a **comprehensive permit** for the construction of subsidized low- or moderate-income housing. Outside of Boston, the state has achieved two-thirds of its goal to have 10 percent of its housing stock affordable to low-income persons. The Commonwealth is still 65,000 units short overall, and only 10 percent of cities and towns have reached their goals.

Today the programs have been retooled to address emerging challenges: long-term affordability, good on-going management, changing housing markets, supportive services for tenants, universal design, and resident participation. Each private housing program addresses a different set of housing needs. Taken together, the private housing programs offer a comprehensive approach to solving the housing problems of the 1990's and beyond. Beginning in 1990, EOCD has made financial assistance through these programs available through **combined funding rounds**. The combined funding round offers a one-stop shop for ten housing and community development programs.

The **State Housing Assistance for Rental Production** program (SHARP) was signed into law in 1983. It combines long-term financing through the issuance of tax-exempt bonds by the Massachusetts Housing Finance Agency (MHFA) and an additional subsidy to reduce financing costs to 5 percent. SHARP has been used primarily for mixed income family housing production. MHFA has issued bonds for over $600 million in long-term loans. SHARP has leveraged over $750 million in federal funds and private investment.

At least 25 percent of units must be reserved for low-income residents, but SHARP has achieved a low-income percentage in excess of 30 percent. To date, SHARP has funded 82 housing developments with 9,370 units. SHARP developments are distributed across the Commonwealth. SHARP project developers may be private, limited dividend, for-profit or non-profit entities.

Although the SHARP loan has a term of 15 years, affordability is preserved for a longer term. If the private owner does not want to maintain the development as affordable housing, the **SHARP option** permits the Commonwealth to acquire the property for the lower of a determined price or market value (or arrange for its sale to another owner who will preserve low-income affordability).

The **Rental Development Action Loan** program (R-DAL) was created in the 1987 state Housing Act. It is designed to support rental housing and limited equity cooperatives for low- and moderate-income families. R-DAL may be used for new construction, preservation, or the rehabilitation of partially occupied buildings. R-DAL was designed to support smaller developments than in the SHARP program. Long-term financing may be provided by MHFA or a private lender. R-DAL project developers may be private, limited dividend, for-profit or non-profit entities.

At least 50 percent of units must be designed with two or more bedrooms. At least 25 percent of units must contain two or more bedrooms **and** be reserved for low-income families. R-DAL is an operating subsidy. It is paid out over 15 years to reduce on-going operating costs, such as debt service. R-DAL is a loan program, secured by a second lien on the property. Low-income affordability is set for 15 to 20 years. R-DAL has been committed to 28 developments with over 1,500 units. R-DAL has a long-term affordability option similar to the SHARP option.

The **Tax-Exempt Local Loans to Encourage Rental Production** program (TELLER) is a long-term finance program. TELLER loans are made from the proceeds of tax-exempt bonds issued by local housing authorities. EOCD allocates a portion of the state's volume cap on **Private Activity Bonds** for TELLER. Nearly $50

million in bonds has been issued on behalf of TELLER. Typically, TELLER project developers are for-profit entities.

At least 20 percent of TELLER units must be reserved for low-income households. A low-income occupancy rate of over 30 percent has been achieved to date. Low-income affordability must be preserved during the 15-year loan period. Projects that guarantee longer-term affordability score higher in competition for TELLER funding. During its six-year history, TELLER has been used in 17 housing developments with nearly 2,000 units.

The **Housing Innovations Fund** (HIF) was created in the 1987 Housing Act. It can be used to finance any of three types of housing: single room occupancy (SRO) housing, limited equity cooperatives, and special needs housing. HIF has supported special needs housing of benefit to mentally retarded or mentally ill persons, persons with AIDS, and persons who need **transitional housing** -- for example, persons recovering from substance abuse. HIF project developers must be non-profit entities. To date most of HIF's $30 million authorization has been committed.

HIF is a long-term investment in housing. It provides a deferred payment capital loan. As long as the property remains affordable to low-income persons and meets other guaranteed conditions, the loan does not need to be repaid. At least 50 percent of residents must have low incomes. To date, EOCD has

made funding commitments to 93 HIF projects with over 2,100 units: 29 SRO projects with 759 units, 29 cooperatives with 978 units, and 35 special needs residences with 407 units. Over 75 percent of HIF units serve low-income persons.

The **Low-Income Housing Tax Credit** program was created by the federal Tax Reform Act of 1986. In 1987, EOCD was directed by Executive Order to administer the tax credit program. EOCD is one of the only states in the country to use all of its tax credit allocation during the program's first three years. In 1990, the Tax Credit program was revised to target three priority areas: construction or substantial rehabilitation of low-income family housing, special needs housing, and low-income housing preservation. In four years EOCD has attracted $7 million in these federal tax credits to low- and mixed-income housing.

Tax Credits are awarded to investors in low-income housing. Investors are given a credit against the federal income taxes they owe. At least 20 percent of the units must be reserved and affordable to low-income persons. To date, EOCD has allocated Tax Credits to 79 developments with nearly 7,000 units -- over 50 percent of which are reserved for low-income persons.

<u>Homeownership Opportunities for Low- and Moderate-Income Families</u>

The Division of Private Housing manages EOCD's affordable homeownership programs. These programs were created in response to several conditions in the Massachusetts housing market. First, Massachusetts has followed the national trend toward a reduction in the proportion of persons able to own their own homes. Second, Massachusetts home prices have been among the highest in the country. Only a small percentage of renters in Massachusetts can afford to own their own homes. Third, most new families cannot afford to own homes in the communities in which they were born or in which they work.

The principal homeownership program for the state is administered by the MHFA. MHFA issues tax-exempt mortgage revenue bonds, the proceeds of which are used to purchase below-market-interest mortgages originated by private lenders. Since 1986, MHFA's programs are targeted to first-time homebuyers. MHFA has issued over $1.2 billion in bonds to finance over 22,200 home mortgages.

EOCD's **Homeownership Opportunity Program** (HOP) is a partnership between EOCD and MHFA. MHFA issues bonds to finance below-market-interest mortgages for first-time homebuyers (currently, the interest rate is about 8.5 percent). A comprehensive permit is issued to increase density on the development site -- to reduce land costs. EOCD uses state appropriations to further reduce costs to the homebuyer. Thirty

percent of units must be affordable to low-income purchases. The interest rate on loans for these low-income units is reduced to an effective 5.5 percent. HOP has assisted homebuyers with incomes as low as $20,000.

HOP has been committed to 130 projects with over 6,000 units. HOP not only provides mixed-income ownership housing, but has a rental housing component. Some HOP developments permit local housing authorities to acquire units for their public housing programs. EOCD provides the acquisition capital through the Chapter 705 family public housing program.

In 1990 EOCD initiated the **Soft Second Loan** Program to create more homeownership opportunities and to take advantage of the levelling-off of home sales prices. The program is a joint initiative of EOCD, the Massachusetts Housing Partnership, and the Massachusetts Bankers Association. Under the program, a low- or moderate-income homebuyer applies for a first and a second mortgage. The second mortgage covers 20 to 25 percent of the purchase price. For the first ten years, only interest must be repaid on the second mortgage. Public funds are contributed to pay a portion of the second mortgage interest during the early years. In the eleventh year, payments include principal and interest. As an efficient use of state-level funds, the program has attracted millions of dollars in loan funds from private lenders.

Responding to Changes in the Massachusetts Housing Market

Having its own housing programs places Massachusetts in a fortunate position. The state has more control over its resources, has the ability to leverage private and federal government funds, and can adapt its housing efforts to changing needs. During the early 1980's, only a small percentage of low-income persons in Massachusetts lived in decent, affordable housing. It was necessary to stimulate the housing economy and subsidize low-income units -- to expand the housing stock overall and assure that a significant portion of new and rehabilitated units went to low-income families and elderly persons.

Today, over 40 percent of low-income households in Massachusetts live in decent, affordable housing financed by the state or federal government. The remaining 50-plus percent of low-income households continue to pay too much for housing and many face substandard conditions. There is still a need for housing production, but there is a growing need for housing rehabilitation and for preserving affordability. Federal housing programs of the 1960's and 1970's permitted private owners to convert their properties to non-affordable housing at the end of the assistance period. EOCD's private rental housing programs are able to respond to situations in which affordable housing may be lost. Furthermore, EOCD's programs have built in requirements for long-term affordability to prevent such situations. The

Division of Housing has built in-house capacity to monitor assisted housing and to intervene at early warning signals.

The slowdown in the Massachusetts economy poses new challenges but provides new opportunities for affordable housing. In 1990 EOCD launched the **Market Opportunities Program** aimed at transforming unfinished or unsold real estate developments into ownership or rental housing for low- and moderate-income families. The program targets newly-constructed housing. EOCD enters into a partnership with the lending institution that has financed the unsuccessful property. In some cases the property may have been foreclosed upon. Market Opportunities is one response to recent overbuilding in the condominium and townhouse markets.

EOCD is exploring opportunities with foreclosed properties. Foreclosed properties pose an opportunity for low- and moderate-income homeownership and for long-term affordable rental housing owned and operated by non-profit organizations. Lenders may be willing to offer discounts on the sale of such property -- as opposed to taking greater losses or sustaining the management and financial responsibilities of holding such properties. EOCD can help respond quickly to arising opportunities by providing the necessary leadership, familiarity with housing finance and rehabilitation, and partnerships with local agencies and non-profits.

EOCD has established an Expiring Use program to monitor federally-assisted housing developments whose low-income use restrictions are set to expire or whose owners may seek to convert to non-low-income use. Massachusetts accomplished two of the first expiring use **work-outs** of at-risk federally-assisted projects. One project entailed forming a new non-profit owner. The other involved the acquisition of the project by its residents. EOCD's Expiring Use program has attracted federal government, local government, and private investment in project work-outs. It was a model for the **preservation provisions** of the Cranston-Gonzales National Affordable Housing Act. Again, EOCD and Massachusetts are uniquely poised to take advantage of the new federal legislation which provides a framework and financial incentives for preserving low-income housing.

Securing State-Level Financial Resources

Most of EOCD's private housing programs are funded through annual **appropriations**. Even though programs like SHARP, R-DAL, and HOP involve multi-year commitments, the availability of funds must be approved each year. These programs have multi-year **authorizations**. SHARP and HIF will exhaust their authorizations in 1991, and will need to be reauthorized at higher levels. HIF is funded through the proceeds of general obligation bond issues. The same bond issues that support HIF also support the

development of new and modernization of existing publicly-owned housing. A new bond issue is necessary to recapitalize HIF and public housing. New capital resources will make Massachusetts more competitive for new federal housing dollars. The newly authorized **HOME Program** will provide a formula allocation to the states, provided matching funds are available. States with greater development capacity and more matching funds will compete for funds that less capable states and localities will leave unused.

Supporting the Private Housing Delivery System

EOCD has been able to remain a small, flexible, adaptive agency because it has invested in the development of a statewide housing delivery and management system. As noted above, many of EOCD's private housing programs work in concert with the long-term financing programs of MHFA. MHFA, CEDAC, community-based non-profit agencies, private developers, and management agencies under contract assume responsibility for the on-going management and maintenance of private housing developments. The Division of Private housing has assembled a small, experienced management team to oversee the progress of construction, affirmative fair marketing, leasing, and on-going management.

Each program is designed to address a different set of housing needs. The delivery system for each program is slightly

different also. Participating in each program are municipal, private for-profit, and community-based non-profit organizations which have developed the expertise to design, build, manage, and maintain affordable housing. The network of housing partnerships, housing authorities, and non-profits is valuable because of its familiarity with local and neighborhood housing needs. There is a growing network of special needs housing developers and managers -- most of which are regional or community-based non-profits.

The new federal housing legislation relies heavily on non-profit development and management of housing. Because EOCD has invested in and worked with a network of non-profits, Massachusetts is in a unique position to attract new federal housing dollars.

EOCD has been in the forefront of the creation of new institutions designed to finance affordable housing. Before it became independent this year, the Massachusetts Housing Partnership (MHP) was created within EOCD. EOCD has participated with state financial institutions to create new housing and small business development funds as part of the statewide effort to target support to low-income and minority communities (related to the Community Reinvestment Act). Also, EOCD has worked closely with the Federal Home Loan Bank of Boston to implement new federal laws which created the Affordable Housing Program.

EOCD Leadership Role in State Housing Policy and Programming

EOCD plays an important leadership and coordination role in state housing activities. The EOCD Secretary has a seat on the MHFA, Massachusetts Land Bank, CEDAC, and Massachusetts Housing Partnership boards. The Secretary's presence on these board helps assure that state housing goals will be reflected consistently in the policies of other state-chartered but independent agencies.

With the passage of new federal housing legislation, EOCD and its Division of Private Housing will be in an effective position to coordinate housing policy between the state and local levels, leverage private and federal housing dollars, and direct the state's resources and expertise to the most urgent housing problems. Under the new legislation, each state must prepare a **five-year comprehensive housing strategy**. Larger municipalities or consortia of smaller communities must prepare housing strategies also in order to receive new federal funds. The strategy must address housing market conditions, housing needs of low-income and homeless persons, and the housing delivery system. EOCD has experience with analyzing housing needs, describing housing market conditions, and developing plans and objective allocation criteria. The statewide strategy can become the model for municipal strategies, and EOCD efforts can relieve cities and towns from some of their responsibilities for developing the necessary information to be included in their strategies.

III. Division of Neighborhoods and Economic Opportunity

	Budget	
	1989	1991
State	$15.3m	$ 1.4m
Federal	79.9	78.6
Capital	-	-
Trust	24.7	13.0
TOTAL	$119.9m	$93.0m

EOCD's Division of Neighborhoods and Economic Opportunity administers fuel assistance and weatherization programs through an array of nonprofit community-based groups. The Division also provides other financial and technical assistance to nonprofits to assist them in providing for the housing and social services needs of low income people. Presently, the Division's funding is provided almost entirely by the federal government, principally through the Low-Income Home Energy Assistance Program (LIHEAP -- also called fuel assistance), the Weatherization Assistance Program, and the Community Services Block Grant program (CSBG). DNEO's state-funded programs have been either eliminated or sharply reduced due to budget cutbacks. Presently, the Division has 7 state-funded positions, down from 15 in December of 1988.

Cutbacks in DNEO's state programs have created a great deal of concern in the nonprofit world. In many cases, programs that provided cost-effective and highly innovative services to low-income people have been severely cut or eliminated. While many constituency groups have worked cooperatively with the Division's staff to minimize the impact of cuts and implement creative methods to save program funds, the harshness of recent cuts has strained these relationships. For example, the cutback in the Division's CEED program may actually result in some community development corporations shutting their doors this fiscal year.

One particular DNEO program will have to be closely watched this winter -- the fuel assistance program, which helps low income people pay for the cost of heating their homes. Fuel assistance is a federal program that Massachusetts has supplemented with state funds for the past 13 years (last year, for example, the program operated with $58.3 million from the federal government and $11.2 million from the state). This year, state funding for fuel assistance was eliminated. EOCD was able to reprogram $2.5 million in federal oil overcharge money to this program, but this money does not make up for the cut in state funds.

Last winter, the fuel assistance program ran out of funding in February, well before the end of the winter heating season. This winter, the program has less money and is expecting

increased demand for the program, due to higher oil prices and increased unemployment. It is possible that the program will run out of funds as early as the end of January. As a result, many low-income families will be unable to pay their fuel bills during the coldest part of the winter -- a desperate situation for these families and the community action agencies that must cope with limited funds.

It is important to note that EOCD had already taken a series of steps designed to save fuel assistance dollars -- for example, cutting administrative costs, and establishing innovative methods of fuel pricing. The fuel pricing methods alone will save over $1 million this year, through bargaining with oil vendors to help low-income households.

The Division has continued to focus on energy conservation, using federal and, at one time, state funds to make housing improvements that reduce fuel bills. Over the past 4 years, the Division has spent $52 million in oil overcharge funds to weatherize 40,000 homes. Now that this source of funding is depleted, the Division is looking towards the private sector to supplement existing funds from the Department of Energy. Continued linkages to utility companies, begun in the past 18 months as the DPU continues its conservation activities, are enabling EOCD to leverage dollars from utility companies to extend existing weatherization efforts.

The size and array of DNEO's grant programs give the Division significant powers of leverage, coordination, and entrepreneurship. While the Division will continue its creative use of federal dollars, the state cutbacks have jeopardized many opportunities for cost-effective intervention in the lives of low-income people. For example, the state-funded Housing Services program has prevented the homelessness of thousands of families, at a minimal cost (approximately $500 per family) compared to the cost to the state of an episode of homelessness. Ironically enough, the program was cut back by 75% this year, just when it had begun to start attracting matching funds from the private sector. As the pressure on the state budget continues, it will be important to preserve small and cost-effective discretionary programs like Housing Services, which can save thousands of dollars in other state-funded entitlements like Emergency Assistance and welfare.

IV. Division of Municipal Development

	Budget	
	1989	1991
State	$10.4m	$ 2.2m
Federal	28.8	24.1
Capital	15.5	15.8
Trust	.1	-

TOTAL	54.8	42.1

The Division of Municipal Development includes 27 personnel funded from the state operating budget, down from 47 in December, 1988.

EOCD's historical roots lie in the Department of Community Affairs (DCA), the state agency previously responsible for a wide range of relationships with municipal government. The statutory basis for much of EOCD still reflects this history, including (in M.G.L. Ch. 23B) a long list of regulatory, technical assistance, and programmatic functions to be performed for local governments.

A. Municipal Management and Policy

During the 1970's, the municipal assistance capacity of EOCD was largely funded through a variety of federal sources. In the early 1980's, however, these categorical grants were discontinued, and the municipal assistance staff was reduced.

With the passage of Proposition 2 1/2 in 1980, state aid to local governments began to increase significantly. At about the same time, several independent reports raised serious questions about the management capacity of municipal governments in Massachusetts. One task force, headed by former UMass president

John Lederle, made note of the lack of professional management, the inadequate planning, the inability to solve problems regionally, and the outmoded governmental structures of many cities and towns. The task force called on state government to take on a stronger regulatory and technical assistance role. During this period, most of the increased local aid was being spent locally to protect basic municipal services, and little was invested in upgrading the quality of management.

Beginning in 1982, the municipal assistance function of EOCD was revived and revitalized. With so many state dollars being devoted to local aid, it was argued, at least a small amount should be invested to make certain that those funds were spent efficiently. Three separate programs were established and funded by the legislature to address these needs:

o The Incentive Aid Program, funded at $5 million in FY 89, provided matching grants to municipalities to fund professional management positions, to reorganize local functions, and to increase training for municipal employees.

o The Strategic Planning Program, funded at $1 million in FY 89, provided grants to help cities and towns manage growth pressures, protect important natural resources, and improve municpal planning.

o The Regional Planning Agency grant program, funded at $480,000 in FY 88, encouraged communities to address their planning needs in a regional manner through the RPAs. (Appendix 5 contains more detailed descriptions of these three programs.)

As funding for these grant programs has been eliminated over the past two years, a reduced EOCD staff has continued to provide assistance to cities and towns on management improvements, planning and zoning, and charter reform, but the municipal need has far outstripped the agency's ability to respond. While EOCD has been cited as the national leader in housing and several other areas, the municipal assistance function clearly lags behind the norm in other states.

By keeping in touch with the cities and towns and the various municipal associations, the municipal management staff not only provides a vital technical assistance function, but also helps identify problems and policy issues that must be dealt with at the state level. The Secretary of Communities and Development has, since the advent of the cabinet system, been designated as the administration's principal contact with municipal government. This role is reflected in the Secretary's designation as a member of the Local Government Advisory Committee (LGAC), a group of some 35 municipal officials which meets monthly with the Governor. In this capacity, the Secretary helps to shape state

policy towards local governments on a wide range of issues and works with other state agencies to resolve problems and issues.

The key policy questions over the next six months (as over the past eight years) will revolve around state-local fiscal relationships. Just over a year ago, Governor Dukakis appointed a Task Force on Local Finance chaired by Shawmut Bank President John Hamill. EOCD Secretary Anthony played a key role on the Task Force, and the municipal policy staff provided research and logistical support. A copy of the Task Force Report is included with this document.

With the clear public support for stable, adequate local aid evidenced by the passage of Question 5 this fall, municipal officials will be expecting early assurances about the nature and level of local aid in FY 92 and beyond. The Hamill Task Force Report describes a balanced solution to the problem which includes not only a fixed revenue sharing policy for local aid, but also increased flexibility for the raising of municipal own-source revenues to support local services.

Though negotiations about the amount and nature of local aid may be complex and protracted, an even thornier problem will be sorting out the distribution of that local aid. For the past eight years, state policy has recognized the special burdens of the state's poorer communities. The "needs-based" formula for

local aid incorporated both the limited revenue-raising capacity of these poorer cities and towns and also their greater needs for maintaining basic education, public works, and public protection services.

Within the next two years, it is likely that Massachusetts will see court action on an equal educational opportunity suit ("Murdock et al. v. Weld"). If the court here imposes a solution similar to those required in more than a dozen other states, the Commonwealth will be required not only to increase local aid, but also to develop a new manner to "earmark" significant portions of that aid to redress educational disparities among cities and towns.

B. Community Development

The Municipal Division also plays a key role in working with local governments to encourage and support community development, particularly in areas of high unemployment. This support is centered on three main principles: revitalization of existing downtown commercial areas, creating and retaining employment opportunities, and providing and preserving affordable housing.

State support of local community development has taken a variety of forms over the years. During the 1970's, a combination of federal and state funds was used to support Urban

Renewal. In the 1980's, federal support shifted to block grants and state support shifted to development-driven projects proposed by local governments. Today, the state grant programs have been cut to meet budget reductions; therefore, the federal community development block grant (CDBG) is the main source of financial support to community development. Appendix 6 outlines a variety of state- and federally-funded programs to support local community development.

C. The Small Cities Program

The Small Cities Program, funded by the federal Community Development Block Grant, provides funding to non-entitlement (less than 50,000 population) cities and towns on a competitive basis each year. In 1991, an estimated $23 million will be available for general fund grants to approximately 35 communities for a wide range of housing, economic development and community development activities. This program is described in greater detail in Appendix 7.

V. Office of the Secretary

	Budget	
	1989	1991
State	$4.7m	$4.3m

Federal	-	-
Capital	-	-
Trust	.3	.4
TOTAL	$5.0m	$4.7m

The Secretary's Office includes several key support operations that serve all the operating divisions. There are currently 52 state-funded positions in this office, four fewer than in December, 1988.

The Office of Management and Fiscal Services (OMFS) is responsible for developing, implementing and integrating a wide range of administrative and financial functions. The office is divided into five functional areas:

- o Accounting - auditing, cash management, internal controls, bill processing, compliance with state and federal financial regulations;

- o Budget - analyzes agency spending, develops and monitors budgets and spending plans, ensures compliance with legislation and state spending practices;

- o Human Resources - maintains personnel systems, including payroll, benefits, classification, hiring

and termination procedures, performance evaluation, training and employee development;

- o Information Services - development and implementation of data processing systems, including needs assessment, purchase, installation, training, and support;

- o Central Services - oversees all procurement and facilities management, including repairs, improvements, space planning, security, print shop, mail, and vehicle fleet.

The Office of Program and Policy Development(OPPD) was established to address policy matters and fill information needs in subject areas that cut across program divisions. Within the past two years, OPPD has tackled issues such as lead paint, housing for special needs populations, the HUD Reform Act, single room occupancy (SRO) housing, federal tax reform, and the relationship between jobs and housing.

OPPD is EOCD's policy, research, and program retooling office. It is EOCD's liaison to research efforts of outside agencies, interagency committees, and information resources in national organizations. OPPD has provided the agency with in-house capacity to evaluate programs, monitor and summarize

housing market trends, analyze federal and state legislative and regulatory changes, conduct financial analysis, manage research contracts, and construct computer databases.

The Office of the Chief Counsel provides legal services to EOCD's operating divisions regarding the 75-80 state and federal programs administered by EOCD. The office provides legal guidance to housing authorities, local non-profit organizations, private developers, outside legal counsel and other state agencies. This office also conducts administrative appeal hearings in the following areas: Housing Appeals Committee, Bureau of Relocation, Construction Services, and tenant appeals. In addition, the legal office works with the Attorney General's office in litigation involving EOCD and local housing authorities, drafts and promulgates regulations, and reviews all contracts, bid documents, and other legal documents.

The Office of Affirmative Action maintains EOCD's commitment to the principles and practice of affirmative action and equal opportunity in its personnel and service delivery policies, programs, and systems. It routinely monitors and evaluates the impact, efficiency, and effect of the programs and initiatives which EOCD funds and/or administers, including its Minority/Women Business Enterprise Program. EOCD's recent experience with minority hiring has been among the highest, if not the highest,

in the state personnel system, with minorities constituting 20-25% of the agency's overall workforce and women currently holding more than half of the executive level positions and nearly 50% of all professional level positions in the agency.

In addition, the Secretary's Office includes a legislative liaison, press liaison, special assistant, and several support staff.

EOCD works with several quasi-public corporations with similar or complementary missions. These organizations are briefly described in Appendix 8.

APPENDIX 1

EOCD Budgets

NOV. 1 4 1990

Executive Office of Communities and Development
Budgetary Accounts (1989-1991)

ACCOUNT	ACCOUNT TITLE	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
3000-0100	Administration	4,583,052	4,146,649	3,674,845
3000-0200	Incentive Aid	2,885,091	1,326,979	0
3000-0301	Gateway Admin	139,472	49,395	0
3000-0302	Gateway Aid	2,985,649	0	0
3300-0000	French Canadians	12,201	0	0
3722-8878	RDAL	0	1,616,199	2,180,000
3722-8880	HOP	0	428,979	2,428,980
3722-9001	NHS Corps	816,744	529,449	38,299
3722-9002	Vets Debt	3,989,598	3,999,598	4,029,954
3722-9006	Homeless	7,236,740	3,000,000	0
3722-9018	Supportive Svcs	5,361,959	4,661,379	1,500,000
3722-9024	Housing Subsidies	122,580,721	148,746,303	143,722,332
3722-9027	SHARP	16,399,550	23,406,555	31,406,555
3722-9101	Fed Urban Renewal	513,538	503,717	269,264
3722-9102	State Urban Renewal	771,400	771,400	771,400
3722-9108	URDG	600,000	568,500	547,200
3722-9109	Strategic Plan	968,404	170,700	0
3722-9201	MHFA 13A Int Sub	9,825,000	6,000,000	9,825,000
3731-2003	DMD Administration	1,315,040	1,076,731	623,498
3743-2027	CEED	2,002,709	1,557,796	753,120
3743-2029	CDCC	168,017	36,000	0
3743-2031	Housing Search Services	47,112	0	0
3743-2036	Housing Services	2,054,580	1,950,684	564,480
3743-2037	CSBG	250,000	140,677	0
3743-2039	Abandonment	478,438	125,613	0
3744-4010	Comm Serv Corps	575,880	423,960	0
3745-1000	Fuel Assistance	8,586,940	11,199,000	0
3745-2000	Weatherization	375,656	38,794	0
3747-0001	Indian Affairs	66,856	52,459	48,013
3748-0001	MHP Trust Fund	11,709,463	7,268,882	1,445,782
SUBTOTAL:		207,299,810	223,796,398	203,828,722
3722-9315	Retained Rev-Comm Affairs	25,732	358,484	553,997
3722-9316	Retained Rev-Housing	75,027	0	69,250
TOTAL:		207,400,569	224,154,882	204,451,969

Executive Office of Communities and Development
Capital Accounts (1989-1991)

ACCOUNT	ACCOUNT TITLE	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
3424-6161	Elderly 1976	1,608,797	4,577,839	1,835,350
3424-6162	Family 1976	78,459	244,441	1,015,637
3424-6165	Special Needs 1976	(237)	0	19,000
3722-0800	Smoke/Fire Detector	0	0	100,000
3722-7870	Spec. Needs Cons. Dec.	7,625,616	7,145,699	671,000
3722-7871	Family 1987	15,747,511	19,427,187	11,719,892
3722-8841	Family 1983	3,917,784	288,563	1,047,393
3722-8842	Elderly 1983	12,810,868	2,021,095	2,106,000
3722-8843	Special Needs 1983	2,964,752	872,091	756,000
3722-8844	Mod 1983	4,544,033	4,473,838	2,331,448
3722-8845	Clearance and Disp.	0	920,462	1,160,069
3722-8846	Spec. Needs Cons. Dec.	1,207,752	9,170	135,000
3722-8861	Family 1985	36,605,611	15,541,239	22,142,736
3722-8862	Elderly 1985	16,862,500	13,071,256	12,040,500
3722-8863	Special Needs 1985	9,853,343	5,740,733	3,668,001
3722-8864	Mod 1985	26,833,003	10,188,478	8,580,924
3722-8865	Fed Dem 1985	7,192,201	5,238,450	9,926,623
3722-8866	CDAG Loan	13,623,513	6,445,855	15,010,000
3722-8870	Housing Admin.	2,276,908	2,896,327	4,418,000
3722-8871	CH 167 Spec. Mess.	1,790,916	2,686,497	3,318,884
3722-8872	Elderly 1987	1,939,900	7,066,031	2,364,000
3722-8873	Special Needs 1987	1,115,000	3,676,863	1,787,000
3722-8874	Mod 1987	10,407,567	26,488,060	28,087,040
3722-8875	Fed Dem 1987	260,800	5,893,671	12,337,532
3722-8876	Disposition	13,514,713	466,000	213,538
3722-8879	HIF	4,885,072	9,944,941	10,000,000
3722-8888	Saltonstall	0	100,000	0
3722-9030	CDAG	1,917,181	326,351	790,000
3722-9301	Gen. Obl. Housing Bond	0	0	0
3724-9001	Mod 1970	1,126,980	481,178	2,636,435
3724-9002	Clearance and Disp.	1,519,050	0	0
TOTAL:		202,229,593	156,232,315	160,218,002

Executive Office of Communities and Development
Federal Accounts (1989-1991)

ACCOUNT	ACCOUNT TITLE	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
3722-9011	SHDP	292,927	0	1,404,207
3722-9013	Sec.8 Existing	41,223,239	50,429,781	51,770,450
3722-9014	Sec.8 Voucher	5,789,673	9,562,472	10,924,223
3722-9019	Sec.8 Moderate Rehab.	11,886,755	12,293,833	15,329,464
3722-9020	Sec.8 New Construction	3,411,126	3,049,296	4,135,015
3724-3037	CDBG	28,119,229	20,998,981	23,000,000
3724-3039	CDBG-Administration	556,972	578,445	675,000
3724-3040	Rental Rehabilitation	0	159,014	384,600
3724-9009	Sec.8 Substan. Rehab.	2,764,884	3,612,460	4,450,195
3731-2045	Youth Services	106,167	0	0
3743-2030	Weatherization	10,350,258	1,481,495	5,297,227
3743-2033	Fuel Assistance	60,491,087	57,658,302	64,372,912
3743-2034	CSBG	8,340,753	8,113,750	8,343,616
3743-2035	Fed Jobs Bill-CSBG	(7,417)		
3743-2050	Homeless	678,849	885,119	558,578
3743-2053	Refugees and Immigrants	32,615	13,425	0
3743-2054	SLIAG-OCD	19,671	17,593	0
TOTAL:		174,056,788	168,853,966	190,645,487

Executive Office of Communities and Development
Trust Accounts (1989-1991)

ACCOUNT	ACCOUNT TITLE	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
3422-1060	HUD Energy Bank	(1,528)	0	
3422-1061	Burner Replacement	0	0	
3422-1066	Warner Multi-Family	125,569	0	
3722-9320	Housing Bond Debt 81	0	0	
3732-6602	Water Pollution	497	0	
3743-2042	Diamond	333,285	476,890	400,000
3743-2045	Stripper	0	1,308,085	12,600,000
3743-2049	Stripper	171,780	347,607	
3743-2051	Exxon	24,058,330	13,449,975	
3770-6600	North Adams	0	354,854	
3770-6603	Northbridge	0	32,340	
3770-6610	Barnstable	0	250,904	
3770-6621	Dalton	0	156,532	
3770-6627	Rockport	0	29,022	
3770-6628	Walpole	0	500,072	
3770-6630	Falmouth	0	247,105	
3770-6632	Athol	0	129,264	
3770-6640	Fed.Admin.-Overhead	338,905	209,775	379,584
3770-6700	Old Colony	75,107	77,366	
TOTAL:		25,101,945	17,569,791	13,379,584

Executive Office of Communities and Development
Housing Division (1989-1991)

Account	Name	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
STATE				
3722-9002	Veteran Debt	3,989,598	3,999,598	4,029,954
3722-9006	Homeless	7,236,740	3,000,000	0
3722-9018	Supportive Svcs.	5,361,959	4,661,379	1,500,000
3722-9024	Subsidies	122,580,721	148,746,303	143,722,332
	STATE TOTAL:	139,169,018	160,407,280	149,252,286
FEDERAL				
3722-9011	SHDP	292,927	0	1,404,207
3722-9013	Sec.8 Existing	41,223,239	50,429,781	51,770,450
3722-9014	Sec.8 Voucher	5,789,673	9,562,472	10,924,223
3722-9019	Sec.8 Mod Rehab	11,886,755	12,293,833	15,329,464
3722-9020	Sec.8 New Construct.	3,411,126	3,049,296	4,135,015
3724-9009	Sec.8 Substan Rehab	2,764,884	3,612,460	4,450,195
	FEDERAL TOTAL:	65,368,604	78,947,842	88,013,554
CAPITAL				
3424-6161	Elderly 1976	1,608,797	4,577,839	1,835,350
3424-6162	Family 1976	78,459	244,441	1,015,637
3424-6165	Special Needs 1976	(237)	0	19,000
3722-0810	Smoke/Fire Detector	0	0	100,000
3722-7870	Spec.Needs Cons.Dec.	7,625,616	7,145,699	671,000
3722-7871	Family 1987	15,747,511	19,427,187	11,719,892
3722-8841	Family 1983	3,917,784	288,563	1,047,393
3722-8842	Elderly 1983	12,810,868	2,021,095	2,106,000
3722-8843	Special Needs 1983	2,964,752	872,091	756,000
3722-8844	Mod 1983	4,544,033	4,473,838	2,331,448
3722-8845	Clearance and Disp.	0	920,462	1,160,069
3722-8846	Spec. Needs Cons.Dec.	1,207,752	9,170	135,000
3722-8861	Family 1985	36,605,611	15,541,239	22,142,736
3722-8862	Elderly 1985	16,862,500	13,071,256	12,040,500
3722-8863	Special Needs 1985	9,853,343	5,740,733	3,668,001
3722-8864	Mod 1985	26,833,003	10,188,478	8,580,924
3722-8865	Fed Dem 1985	7,192,201	5,238,450	9,926,623
3722-8870	Housing Admin.	2,276,908	2,896,327	4,418,000
3722-8871	CH 167 Spec. Mess.	1,790,916	2,686,497	3,318,884
3722-8872	Elderly 1987	1,939,900	7,066,031	2,364,000
3722-8873	Special Needs 1987	1,115,000	3,676,863	1,787,000
3722-8874	Mod 1987	10,407,567	26,488,060	28,087,040
3722-8875	Fed Dem 1987	260,800	5,893,671	12,337,532
3722-8876	Disposition	13,514,713	466,000	213,538
3722-8888	Saltonstall	0	100,000	0
3724-9001	Mod 1970	1,126,980	481,178	2,636,435
3724-9002	Clearance and Disp.	1,519,050	0	0
	CAPITAL TOTAL:	181,803,827	139,515,168	134,418,002
TRUST				
3770-6600	North Adams		354,854	
3770-6603	Northbridge		32,340	
3770-6610	Barnstable		250,904	
3770-6621	Dalton		156,532	
3770-6627	Rockport		29,022	
3770-6628	Walpole		500,072	
3770-6630	Falmouth		247,105	
3770-6632	Athol		129,264	
	TRUST TOTAL:		1,700,093	
	GRAND TOTAL:	386,341,449	380,570,383	371,683,842

Executive Office of Communities and Development
MHP/Private Housing (1989-1991)

Account	Name	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
STATE:				
3722-8878	RDAL	0	1,616,199	2,180,000
3722-8880	HOP	0	428,979	2,428,980
3722-9027	SHARP	16,399,550	23,406,555	31,406,555
3722-9201	MHFA	9,825,000	6,000,000	9,825,000
3748-0001	MHP	11,709,463	7,268,882	1,445,782
	STATE TOTAL:	37,934,013	38,720,615	47,286,317
CAPITAL:				
3722-8879	HIF	4,885,072	9,944,941	10,000,000
	CAPITAL TOTAL:	4,885,072	9,944,941	10,000,000
	GRAND TOTAL:	42,819,085	48,665,556	57,286,317

Administration (1989-1991)

STATE				
3000-0100	Administration	4,583,052	4,146,649	3,674,845
3722-9315	Retained Rev-Comm Aff	25,732	358,484	553,997
3722-9316	Retained Rev-Housing	75,027	0	69,250
	STATE TOTAL:	4,683,811	4,505,133	4,298,092
TRUST				
3770-6640	Fed Admin-Overhead	338,905	209,775	379,584
	TRUST TOTAL:	338,905	209,775	379,584
	GRAND TOTAL:	5,022,716	4,714,908	4,677,676

Executive Office of Communities and Development
Neighborhoods Division (1989-1991)

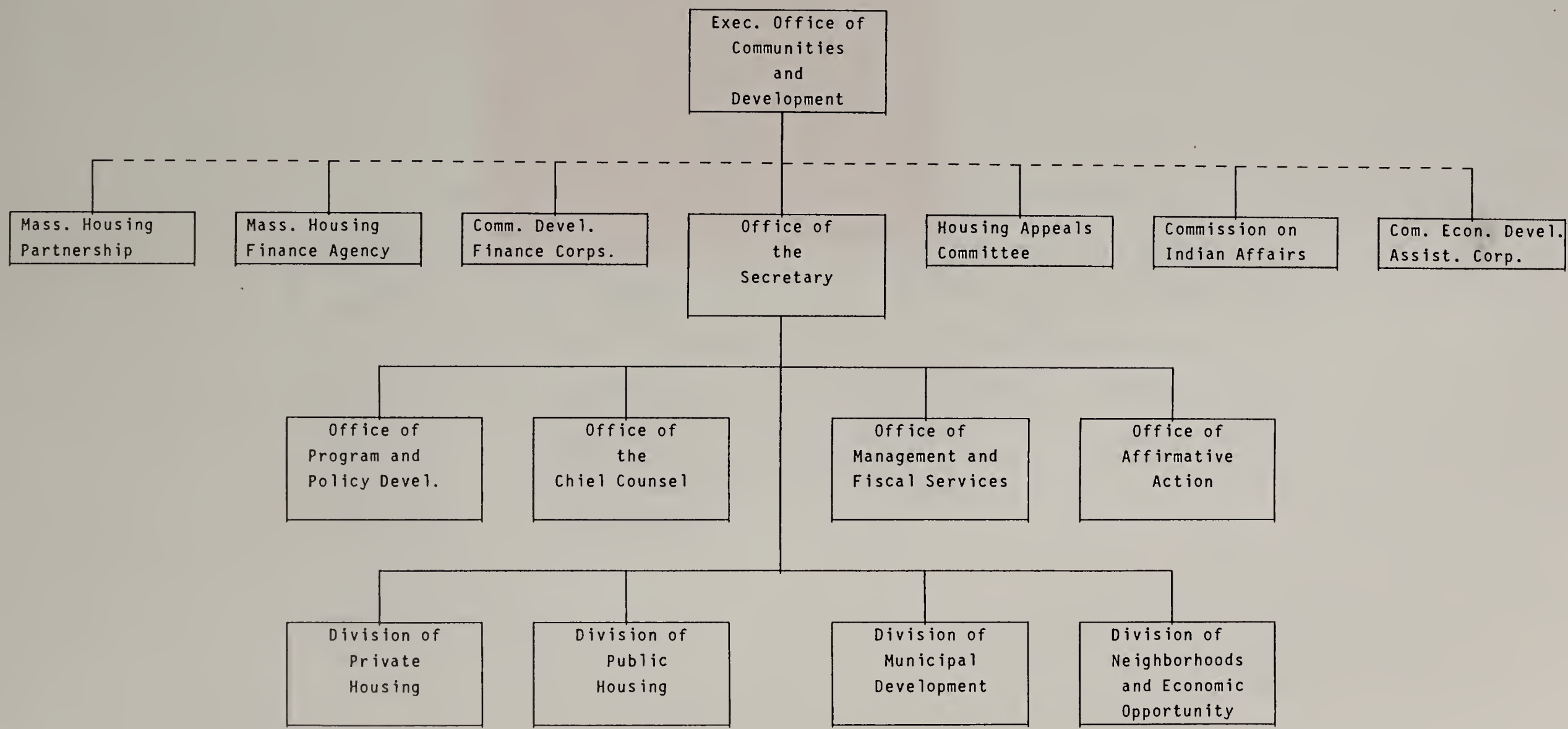
Account	Name	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
STATE				
3722-9001	NHS	816,744	529,449	38,299
3743-2027	CEED	2,002,709	1,557,796	753,120
3743-2031	Housing Search Svcs	47,112	0	0
3743-2036	Housing Services	2,054,580	1,950,684	564,480
3743-2037	CSBG	250,000	140,677	0
3743-2039	Abandonment	478,438	125,613	0
3744-4010	Comm. Service Corps	575,880	423,960	0
3745-1000	Fuel Assistance	8,586,940	11,199,000	0
3745-2000	Weatherization	375,656	38,794	0
3747-0001	Indians	66,856	52,459	48,013
	STATE TOTAL:	15,254,915	16,018,432	1,403,912
FEDERAL				
3743-2030	Weatherization	10,350,258	1,481,495	5,297,227
3743-2033	Fuel Assistance	60,491,087	57,658,302	64,372,912
3743-2034	CSBG	8,340,753	8,113,750	8,343,616
3743-2045	Fed Jobs Bill-CSBG	(7,417)	0	0
3743-2050	Homeless	678,849	885,119	558,578
3743-2053	Refugees and Immig	32,615	13,425	0
3743-2054	SLIAG-OCD	19,671	17,593	0
	FEDERAL TOTAL:	79,905,816	68,169,684	78,572,333
TRUST				
3422-1060	HUD Energy Bank	(1,528)	0	
3422-1066	Warner Multi-Family	125,569	0	
3743-2042	Diamond	333,285	476,890	400,000
3743-2045	Stripper	0	1,308,085	12,600,000
3743-2049	Stripper	171,780	347,607	
3743-2051	Exxon	24,058,330	13,449,975	
	TRUST TOTAL:	24,687,436	15,582,557	13,000,000
	GRAND TOTAL:	119,848,167	99,770,673	92,976,245

Executive Office of Communities and Development
Municipal Division (1989-1991)

Account	Name	FY89 EXPENDED	FY90 EXPENDED	FY91 ESTIMATED
STATE				
3000-0200	Incentive Aid	2,885,091	1,326,979	0
3000-0301	Gateway Admin.	139,472	49,395	0
3000-0302	Gateway Aid	2,985,649	0	0
3300-0000	French Canadians	12,201	0	0
3722-9101	Fed. Urban Renewal	513,538	503,717	269,264
3722-9102	State Urban Renewal	771,400	771,400	771,400
3722-9108	URDG	600,000	568,500	547,200
3722-9109	Strategic Planning	968,404	170,700	0
3731-2003	Municipal Admin.	1,315,040	1,076,731	623,498
3743-2029	CDCC	168,017	36,000	0
	STATE TOTAL:	10,358,812	4,503,422	2,211,362
FEDERAL				
3724-3037	CDBG	28,119,229	20,998,981	23,000,000
3724-3039	CDBG Admin.	556,972	578,445	675,000
3724-3040	Rental Rehab	0	159,014	384,600
3731-2045	Youth Services	106,167	0	0
	FEDERAL TOTAL:	28,782,368	21,736,440	24,059,600
CAPITAL				
3722-8866	CDAG Loan	13,623,513	6,445,855	15,010,000
3722-9030	CDAG	1,917,181	326,351	790,000
	CAPITAL TOTAL:	15,540,694	6,772,206	15,800,000
TRUST				
3732-6602	Water Pollution	497	0	0
3770-6700	Old Colony	75,107	77,366	0
	TRUST TOTAL:	75,604	77,366	0
	GRAND TOTAL:	54,757,478	33,089,434	42,070,962

APPENDIX 2

Organization Charts


Exec. Office of Communities and Development
Mass. Housing Partnership
Mass. Housing Finance Agency
Comm. Devel. Finance Corps.
Office of the Secretary
Housing Appeals Committee
Commission on Indian Affairs
Com. Econ. Devel. Assist. Corp.
Office of Program and Policy Devel.
Office of the Chiel Counsel
Office of Management and Fiscal Services
Office of Affirmative Action
Division of Private Housing
Division of Public Housing
Division of Municipal Development
Division of Neighborhoods and Economic Opportunity

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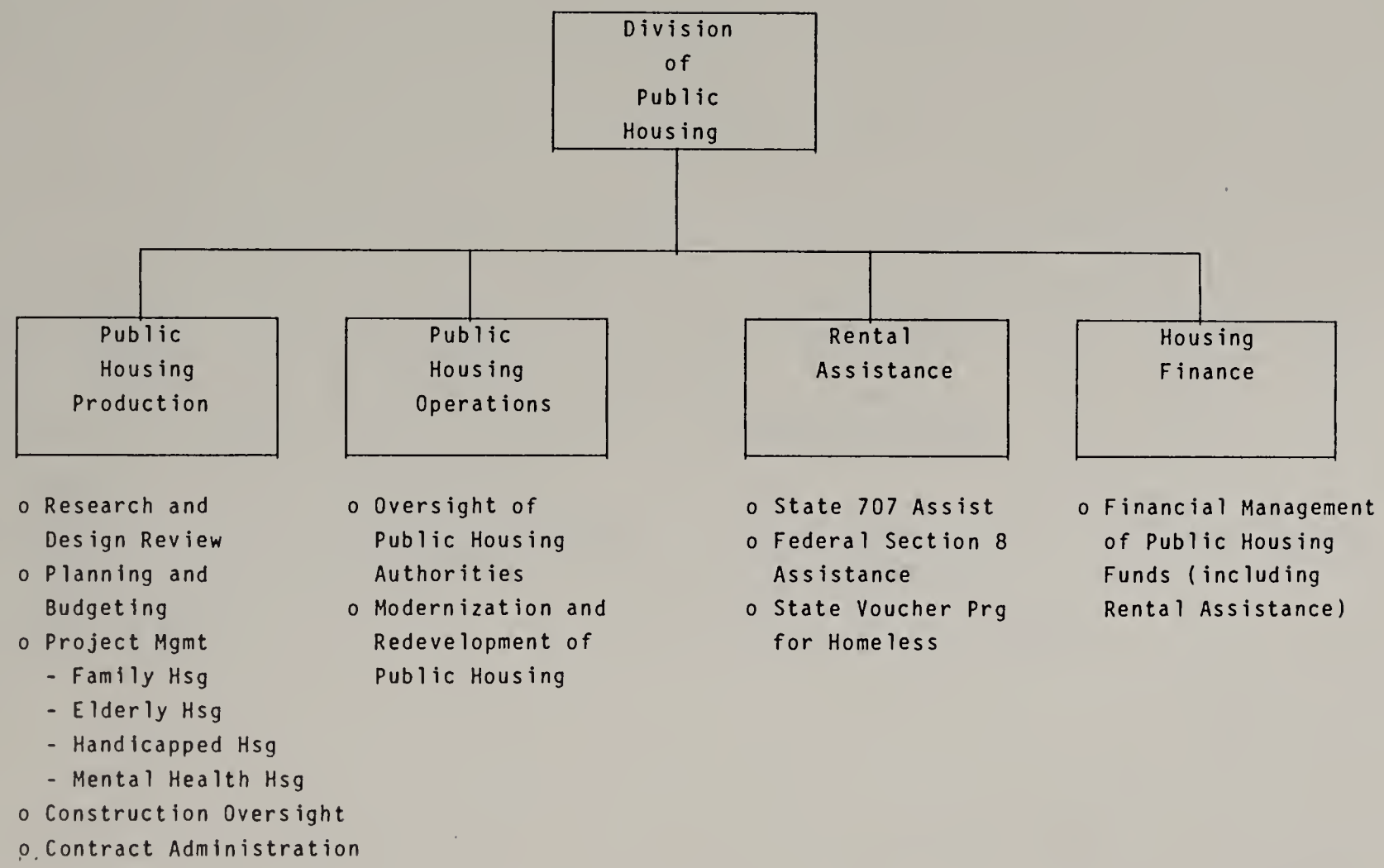
Division of Public Housing
Public Housing Production
Public Housing Operations
Rental Assistance
Housing Finance
o Research and Design Review
o Planning and Budgeting
o Project Mgmt
- Family Hsg
- Elderly Hsg
- Handicapped Hsg
- Mental Health Hsg
o Construction Oversight
o Contract Administration
o Oversight of Public Housing Authorities
o Modernization and Redevelopment of Public Housing
o State 707 Assist
o Federal Section 8 Assistance
o State Voucher Prg for Homeless
o Financial Management of Public Housing Funds (including Rental Assistance)

11/15/90

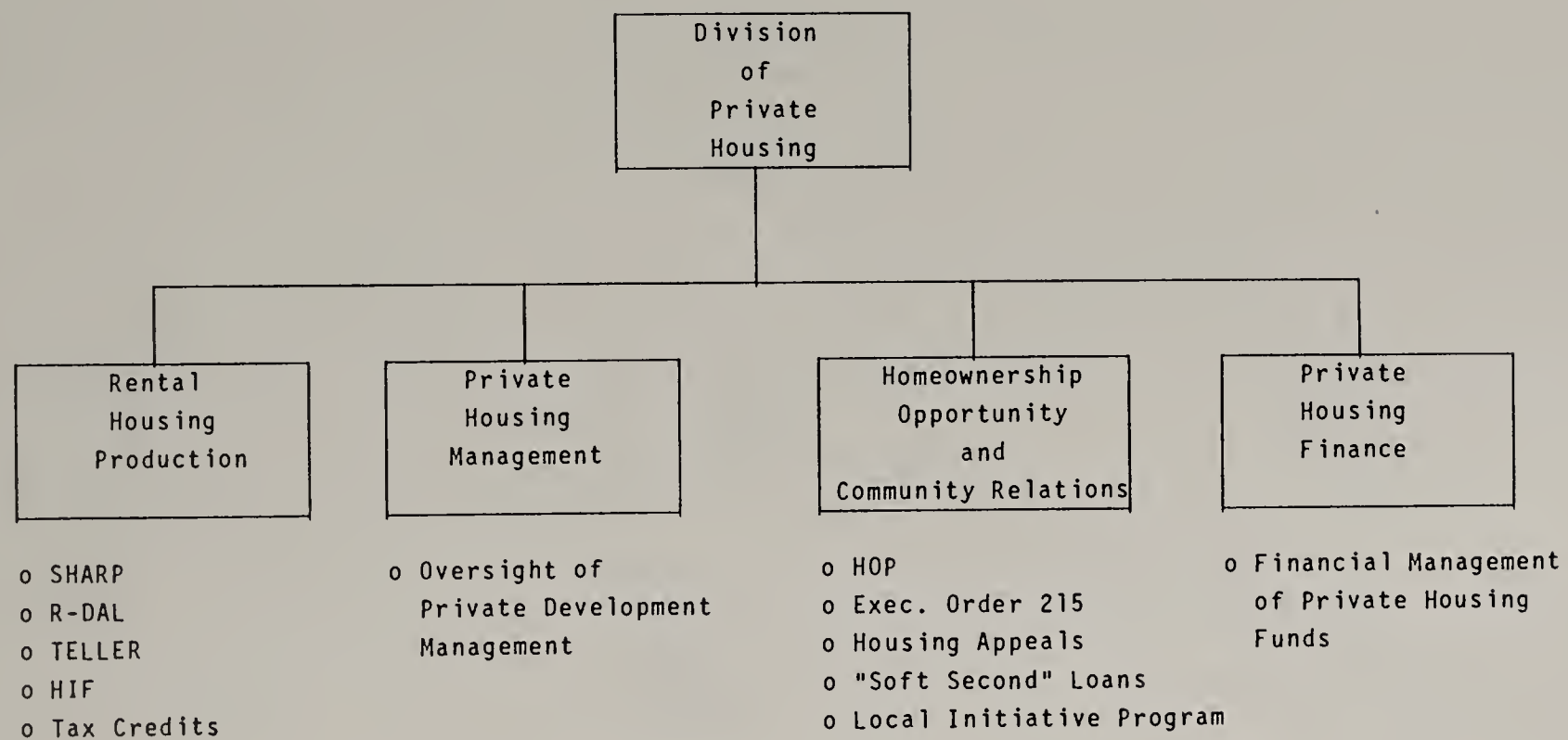
Division of Private Housing
Rental Housing Production
Private Housing Management
Homeownership Opportunity and Community Relations
Private Housing Finance
o SHARP
o R-DAL
o TELLER
o HIF
o Tax Credits
o Oversight of Private Development Management
o HOP
o Exec. Order 215
o Housing Appeals
o "Soft Second" Loans
o Local Initiative Program
o Financial Management of Private Housing Funds

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TABLE 4

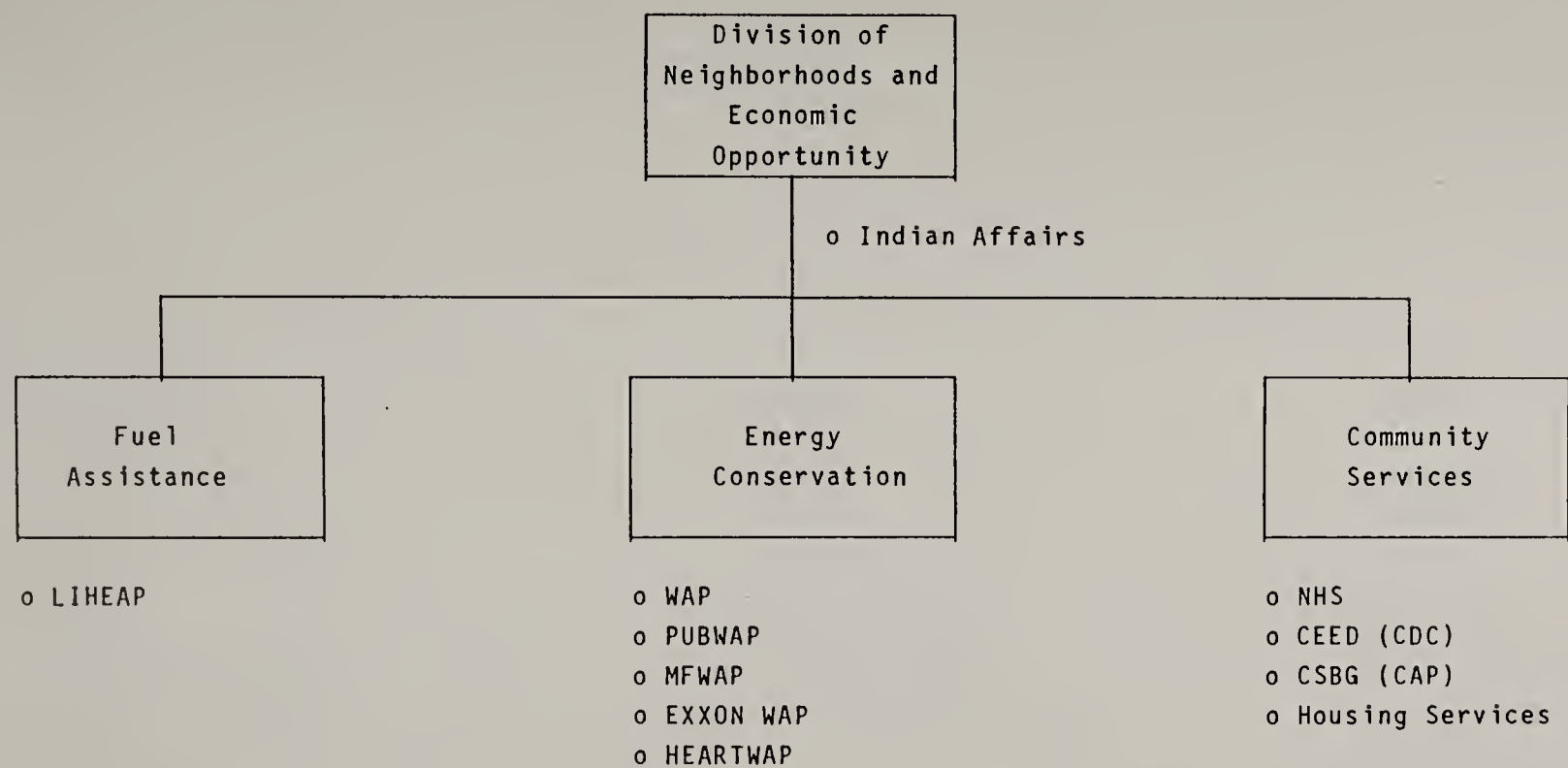

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TABLE 5

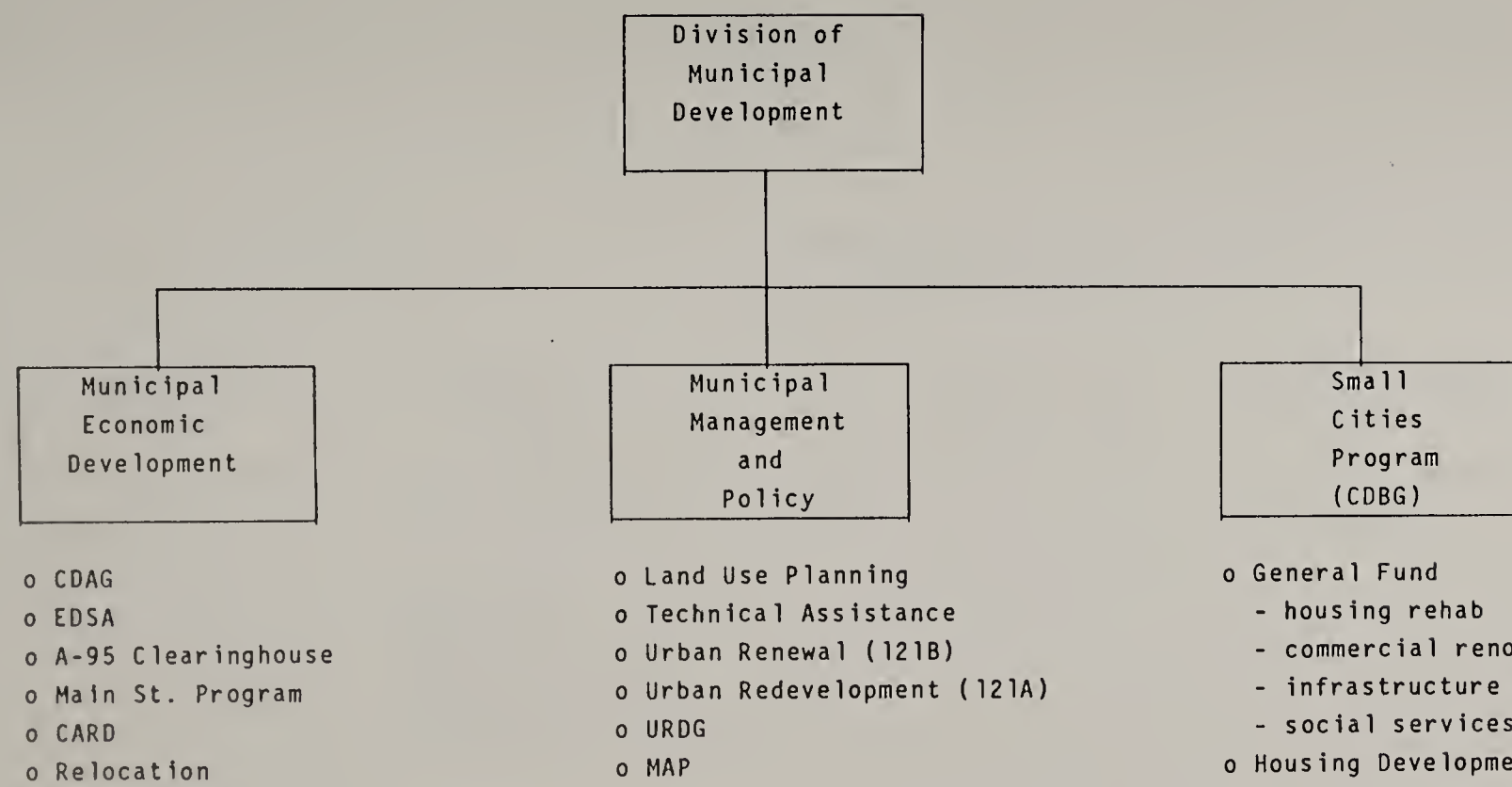

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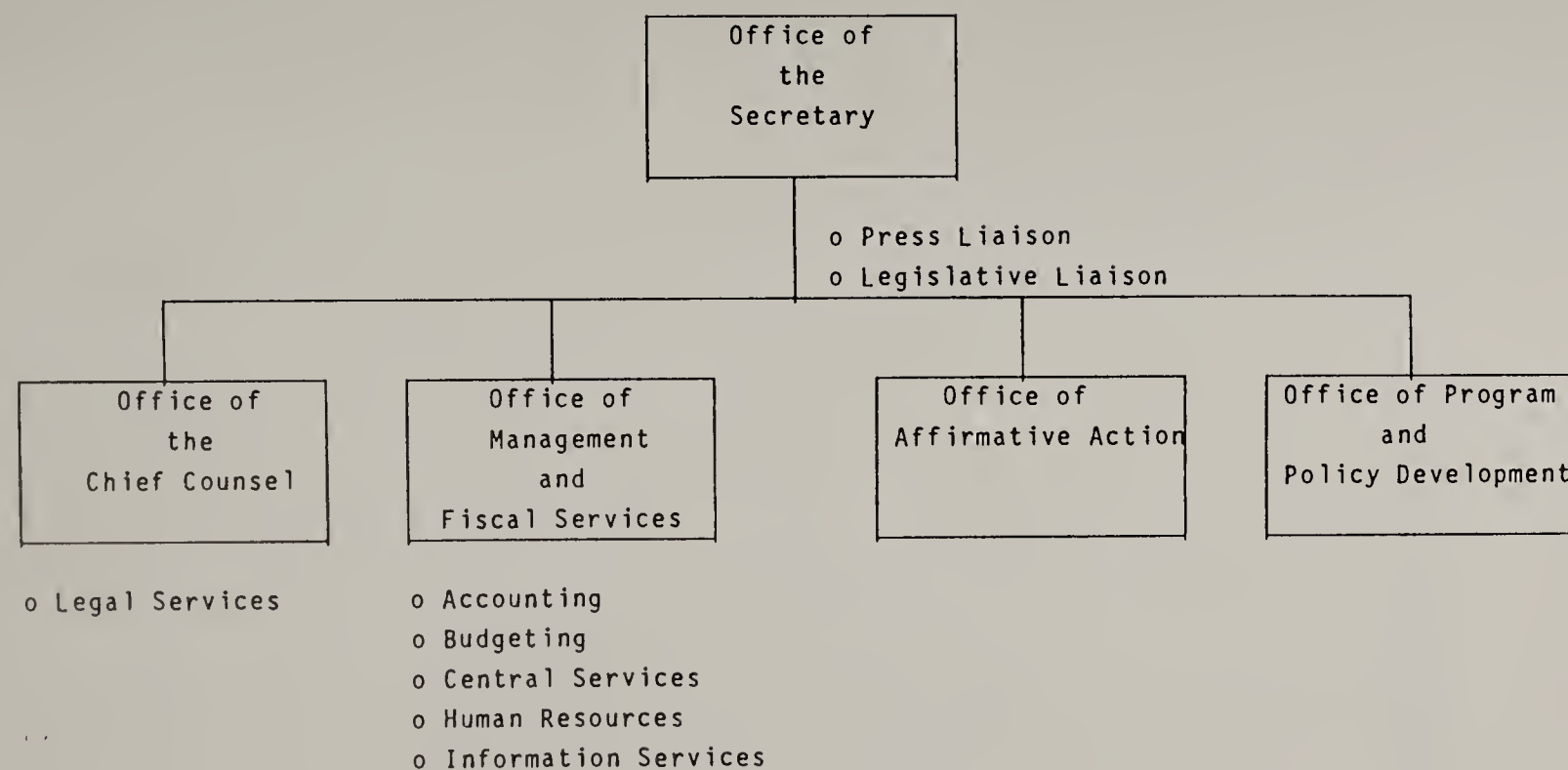
TABLE 6



11/15/90

APPENDIX 3

Legislative Recommendations

EXECUTIVE OFFICE OF COMMUNITIES & DEVELOPMENT

Michael S. Dukakis, Governor
Amy S. Anthony, Secretary

November 7, 1990

The Honorable Michael J. Connolly
Secretary of the Commonwealth
State House
Boston, MA 02133

Dear Secretary Connolly:

Pursuant to the provisions of Section 33 of Chapter 30 of the General Laws, I hereby submit the attached legislative recommendations by the Executive Office of Communities and Development for consideration during the 1991 legislative session.

Sincerely,

Amy S. Anthony

Amy S. Anthony
Secretary

00 Cambridge Street
ston, Massachusetts 02202

LEGISLATIVE RECOMMENDATIONS OF THE EXECUTIVE OFFICE OF COMMUNITIES & DEVELOPMENT

1. An Act To Provide Increased Housing Opportunities In The Commonwealth

Since 1983, a total of $508 million has been authorized by the Legislature for the production of over 6,000 units of public housing throughout the Commonwealth.

Recently, as a result of savings realized in construction costs due to a more competitive bidding climate, this agency was able to make available a limited funding round which provided for an additional 350 units of public housing. Despite the limited number of units available, the response to this funding round was overwhelming. Some 90 housing authorities applied requesting a total of 1,848 units. Many of these applications sought to take advantage of reductions in purchase prices resulting from a softening in the real estate market in certain areas. The response to this funding round reflects the persistent and serious demand that still exists for public housing in the Commonwealth.

In October, the United States Congress enacted the National Affordable Housing Act. This bill represents, for the first time in over two decades, a resurgence of the federal government's commitment to producing affordable housing. Of particular significance is the establishment of a new program called the HOME Investment Program (HOME) which will provide funding for the construction and rehabilitation of rental and homeownership housing. Congress has authorized $2 billion for the HOME program for Fiscal Year 1992.

For the first time in the history of federal housing programs, the HOME program provides a major role for state government. Forty percent of the monies that will be made available for the HOME program will go directly to state government for disbursement in partnership with state housing programs. However, in order to obtain these funds it is necessary that a state provide state matching funds. The level of match varies with the type of housing project involved (i.e., 1:2 for new construction; 1:3 for substantial rehabilitation).

If new funds for state public housing programs are made available, these funds could be utilized in part to help achieve this match.

Based on the continuing need for decent and affordable housing in the Commonwealth and the important part public housing plays in helping to meet this need, as well as the opportunity to take advantage of the new federal partnership resulting from the National Affordable Housing Act, the agency recommends the accompanying legislation. The proposed legislation will ensure the continuation of the public housing pipeline by providing:

-- Chapter 705 Family Public Housing: The agency recommends that an additional $95 million be authorized for this program. The need for additional units of housing for families of low income continues to remain high. The requested amount will provide funds for 750 units of family public housing, including the acquisition of units in areas where the softening of the real estate market make such an option attractive.

-- Chapter 667 Elderly Public Housing Program: The agency recommends that $15 million be authorized for this program. Waiting list information indicates that significant progress has been made in meeting the traditional public housing needs of the elderly. However, it is anticipated there will continue to be a modest demand in the near future. This funding will enable the agency to provide 250 units of elderly housing to assist in meeting this need, as well as to provide congregate housing for the elderly.

-- Chapter 689 Special Needs Public Housing: The agency's recommendation would make an additional $30 million available for this program. This will provide 410 units of housing for those with special needs including completion of the agenda for the mentally disabled, as well as small scale developments for other persons and families with a variety of disabilities.

-- Housing Innovations Program: This program provides deferred payment loans to non-profit housing developers to develop innovative forms

of housing. This includes single room occupancy housing, limited equity cooperatives, and transitional housing. The agency recommends that an additional $15 million be authorized for this program.

In addition to this recommendation, the agency is recommending that $122.9 million be provided to continue the state's Public Housing Modernization Program. This program provides funds to upgrade and maintain the state's existing public housing stock which consists of some 47,500 units.

Since 1983, over 30,000 state public housing units have benefitted from the Modernization Program with capital improvements ranging from new kitchens, bathrooms, site improvements, improvements to building systems, exteriors and common areas, to major redevelopment of the more seriously distressed developments. Despite these accomplishments, additional funds are required to maintain the long term viability of this important resource, and to complete major redevelopment work. The agency's recommendation for the state's Public Housing Modernization Program includes funds for renovation of space within public housing for day care facilities, funds needed to comply with state laws, such as those requiring sprinklers in existing buildings over 70 feet in height, hazardous material abatement, and implementation of the Housing Bill of Rights for the Disabled.

2. <u>An Act Providing Increased Revenues For State-Subsidized Housing.</u>

Due to the fiscal constraints currently facing the Commonwealth, it has become necessary to take a series of administrative steps to reduce the cost of operating and maintaining state subsidized housing. These steps have included severe cutbacks in housing authority budgets, rent level reductions and rollbacks in the Chapter 707 rental assistance program, and the elimination of any new rental assistance certificates, or their reuse at turnover. However, even with these steps additional revenues are needed if we are to ensure that state subsidized housing can continue to exist.

Despite the fact that over five years ago the federal government changed the share of rent tenants in federally assisted housing are required to pay from 25% to 30%, the state did not follow suit for its tenants. The proposed legislation would make this change and similar to the federal standard would provide a utility allowance for those tenants who pay utility costs.

In addition, the proposed legislation would provide the agency with greater flexibility to utilize excess reserves that some housing authorities may have for the benefit of all housing authorities. It would also correct an inequity that presently exists in the statute that requires that the salaries of maintenance workers at housing authorities be based upon salaries paid to construction workers.

Finally, the proposed legislation would guarantee that any revenues resulting from its implementation be used solely for the purpose of providing funds for tenant services, and for the cost of operating and maintaining public housing.

3. An Act Relative To Applicants For State-Subsidized Housing.

In certain areas of the Commonwealth the waiting lists for elderly public housing are very low. This could result in a project not being fully occupied. To ensure that this does not happen the proposed legislation would allow a waiver to be granted in such cases that would reduce the age requirement for elderly public housing tenants from its current 62 years of age to 50 years.

This legislation would also make it clear that housing authorities can request so-called criminal information records from applicants. Such a clarification is necessary to ensure that those living within public housing can do so in safety.

4. An Act Amending Certain Public Deed Restrictions To Retain Affordable Housing.

During the past seven years, the Commonwealth provided funds for the production of over 16,000 units of mixed income housing which is being developed by both private profit and non-profit developers. This housing represents a

significant commitment on the part of the Commonwealth to providing affordable housing, both rental and homeownership, for all our citizens.

In order to ensure that this housing remains affordable over time, each of these projects is subject to use restrictions. To help ensure these restrictions will be enforceable in future years, the agency recommends the proposed legislation which will treat these restrictions as restrictions that "run with the land". This is currently the case for conservation, historic preservation, and agricultural preservation restrictions which are other types of public restrictions. The proposed legislation utilizes the system currently in place for these restrictions.

In addition, the proposed legislation would allow local housing authorities to have the right of first refusal in cases where they are purchasing units in properties that are currently being converted to condominiums. The housing authorities would retain these units as affordable housing for low income households.

The Commonwealth of Massachusetts

IN THE YEAR ONE THOUSAND NINE HUNDRED AND NINETY- ONE

AN ACT

Providing For Increased Housing Opportunities In The Commonwealth

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. The commonwealth, acting by and through the department of community affairs, may enter into a contract or contracts for state financial assistance in the form of a grant by the commonwealth for the development cost of a housing project or projects for families of low income pursuant to the provisions of section thirty-four of chapter one hundred and twenty-one B of the General Laws; provided, that the total amount of grants so contracted for shall not exceed ninety-five million dollars.

SECTION 2. The commonwealth, acting by and through the department of community affairs, may enter into a contract or contracts for state financial assistance in the form of a grant by the commonwealth for the development cost of a housing project or projects for elderly persons of low income pursuant to the provisions of section thirty-nine of chapter one hundred and twenty-one B

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of the General Laws; provided, that the total amount of grants so contracted for shall not exceed fifteen million dollars.

SECTION 3. The commonwealth, acting by and through the department of community affairs, may enter into a contract or contracts for state financial assistance in the form of a grant by the commonwealth for the development costs of a housing project or projects for handicapped persons of low income or families of low income of which one or more persons is handicapped; provided, that the total amount of grants so contracted for shall not exceed thirty million dollars.

SECTION 4. The commonwealth, acting by and through the department of community affairs, may enter into a contract or contracts for the purpose of undertaking projects pursuant to the provisions of clause (j) of section twenty-six of chapter one hundred and twenty-one B of the General Laws; provided, that the total amount of grants so contracted for shall not exceed one hundred and twenty-two million nine hundred thousand dollars.

SECTION 5. The commonwealth, acting by and through the executive office of communities and development, may enter into a contract or contracts for the purpose of providing funds to undertake projects pursuant to the Housing Innovations Program established pursuant to Chapter 226 of the acts of 1987, as amended; provided, that the total amount of such contracts shall not exceed fifteen million dollars.

SECTION 6. To meet the expenditures necessary in carrying out the provisions of section one through four, inclusive, of this act, the state treasurer shall, upon the request of the governor, issue and sell bonds of the commonwealth to an amount to be specified by the governor from time to time, but not exceeding, in aggregate, the sum of two hundred and sixty-two million nine hundred thousand dollars. All bonds issued by the commonwealth, as aforesaid, shall be designated on their face, Public Housing Loan, Act of 1991, and shall be issued for such

maximum term of years, not exceeding twenty years, as the governor may recommend to the general court pursuant to Section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth; provided, however, that all such bonds shall be payable not later than June thirtieth, two thousand and sixteen. Bonds and interest thereon issued under the authority of this section shall, notwithstanding any other provisions of this act, be general obligations of the commonwealth.

SECTION 7. To meet the expenditures necessary in carrying out the provisions of section five, the state treasurer shall, upon the request of the governor, issue and sell bonds of the commonwealth to an amount to be specified by the governor from time to time, but not exceeding, in the aggregate, the sum of fifteen million dollars. All bonds issued by the commonwealth as aforesaid, shall be designated on their face, Housing Innovations Trust, Act of 1991, and shall be issued for such maximum term of years, not exceeding twenty years, as the governor may recommend to the general court pursuant to Section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth; provided, however, that all such bonds shall be payable not later than June thirtieth, two thousand and sixteen. Bonds and interest thereon issued under the authority of this section shall, notwithstanding any other provisions of this act, be general obligations of the commonwealth.

SECTION 8. The state treasurer may borrow from time to time on the credit of the commonwealth such sums of money as may be necessary for the purpose of meeting payments authorized by sections one through five, inclusive, of this act and may issue and renew from time to time notes of the commonwealth therefor, bearing interest payable at such time and at such rates as shall be fixed by the state treasurer. Such notes shall be issued and may be renewed one or more times for such terms, not exceeding one year, as the governor may recommend to the general court in accordance with Section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth, but the final maturities of such notes whether

original or renewal, shall not be later than June thirtieth, two thousand and six. Notes and interest thereon issued under the authority of this section shall, notwithstanding any other provisions of this act, be general obligations of the commonwealth.

SECTION 9. The secretary of communities and development may establish a special unit to be assigned exclusively to expedite the planning, design and construction of projects funded by this act. The secretary may, in accordance with a schedule approved by the commissioner of administration and finance, temporarily hire additional employees or consultants and assign any employee of the department to the special unit as may be required for the supervision of said projects; provided, that the salaries and administrative expenses of the special unit shall be paid from funds made available by this act in an amount not to exceed five percent of the total appropriation in this act, as part of the cost of development and construction of said projects.

SECTION 10. All of the amounts appropriated under the provisions of this act, shall be in addition to any amounts previously authorized prior to the passage of the act.

The Commonwealth of Massachusetts

IN THE YEAR ONE THOUSAND NINE HUNDRED AND NINETY- ONE

AN ACT

Providing Increased Revenues For State-Subsidized Housing.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 32 of Chapter 121B of the General Laws, as appearing in the 1988 Official Edition, is hereby amended by striking out the first paragraph and inserting in place thereof the following:

Upon the completion or acquisition of a housing project by a housing authority, it shall be maintained and operated by such authority. It is hereby declared to be the policy of this commonwealth that each housing authority shall manage and operate decent, safe and sanitary dwelling accommodations at the lowest possible cost, and that no housing authority shall manage and operate any such project for a profit, as established by the department. To this end an authority shall fix rentals for dwelling units in its projects so that no tenant is required to pay a rental of more than thirty percent of his income; provided, that if heat, cooking fuel and electricity are not provided by the authority such rental shall be adjusted by an allowance for reasonable use of such utilities established annually by the department

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based upon actual utility consumption for each size and type of dwelling units, but shall exclude unreasonable or wasteful usage. Any deficiency in the budget of a housing authority caused by such fixed rental shall be paid by the commonwealth to the housing authority in an amount equal to the difference between the tenant's rent and the prorated cost of operating that unit. The commonwealth, acting through the department, may make payments in advance on account of such deficiency in such amounts and at such times as it deems proper. The prorated cost of operations shall be computed on the basis of the operating budget of the housing authority as approved by the department with provision for a full operating reserve. Said rentals together with all other available moneys, revenues, income and receipts of the authority, from whatever sources derived, and together with any requisite annual contribution, will be sufficient (a) to pay, as they become due, the principal and interest on bonds of the authority; (b) to meet the cost of insurance and payments in lieu of taxes provided by section sixteen and to provide for maintaining, operating and using the projects and the administrative expenses of the authority; (c) to create, during not less than the twelve years immediately succeeding its issuance of any bonds, notes or other evidences of indebtedness, a reserve sufficient to meet the largest principal and interest payment which will be due on such bonds in any one year thereafter and to maintain such reserve; and (d) to provide such tenant services for residents of housing projects as the department may approve. Any monies received by all housing authorities for a housing project, or projects, from whatever sources derived, in excess of those required to meet operating costs and reserve requirements approved by the department shall be paid to the department at the time of submission of a housing authority's year end operating statement as required by the department. Any monies so received by the department shall be used, without further appropriation, solely for the purpose of providing additional funds for tenant services and to meet the cost of operation and maintenance of housing projects in need of such assistance.

SECTION 2. The first paragraph of section 44 of chapter 121B of the General Laws, as appearing in the 1988 Official Edition, is hereby amended by striking out clause (b) and inserting in place thereof the following: -"; (b) rentals payable by selected tenant families or persons shall not exceed thirty percent of the income of the household; provided, that if heat, cooking fuel and electricity are not provided by the landlord such rental shall be adjusted by an allowance for reasonable use of such utilities established annually by the department based upon actual utility consumption for ech size and type of dwelling units, but shall exclude unreasonable or wasteful usage;".

SECTION 3. The first sentence of the second paragraph in section 29 of chapter 121B of the General Laws, as appearing in the 1988 official Edition, is hereby amended by striking out the word "development".

The Commonwealth of Massachusetts

IN THE YEAR ONE THOUSAND NINE HUNDRED AND NINETY- ONE

AN ACT RELATIVE TO APPLICANTS FOR STATE-SUBSIDIZED HOUSING.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 1 of chapter 121B of the General Laws, as appearing in the 1988 Official Edition, is hereby amended by striking out the definition of "Elderly persons of low income", and inserting in place thereof the following definition: -- "Elderly personsof low income", persons having reached the age of sixty-two or over whose annual income is less than the amount necessary to enable them to maintain decent, safe and sanitary housing; provided, that the department may grant a waiver to a housing authority to reduce said age requirement to include persons having reached the age of fifty or over if the department and a housing authority determine a project will not be fully occupied without such a reduction.

SECTION 2. Section 32 of chapter 121B of the General Laws, as appearing in the 1988 Official Edition, is hereby amended by adding at the end of the ninth paragraph the following sentence: - "Notwithstanding, the provisions

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of any general or special law to the contrary, a housing authority may require an applicant to provide a copy of his criminal record information.

SECTION 3. Section 44 of chapter 121B of the General Laws, as appearing in the 1988 Official Edition, is hereby amended by adding at the end of the first paragraph the following sentence: -- "Notwithstanding the provisions of any general or special law to the contrary, a housing authority may require an applicant to provide a copy of his criminal record information.

The Commonwealth of Massachusetts

IN THE YEAR ONE THOUSAND NINE HUNDRED AND NINETY- ONE

AN ACT

AMENDING CERTAIN PUBLIC DEED RESTRICTIONS TO RETAIN AFFORDABLE HOUSING.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 26 of chapter 184 of the General Laws is hereby amended by striking out the first paragraph thereof as amended by section 1 of chapter 351 of the acts of 1985 and by inserting in place thereof the following paragraph:

All restrictions on the use of land or construction thereon which run with the land subject thereto and are imposed by covenant, agreement, or otherwise, whether or not stated in the form of a condition, in any deed, will or other instrument executed by or on behalf of the land or in any order of taking shall be subject to this section and sections twenty-seven through thirty, except (a) restrictions in leases, mortgages and other security instruments, (b) restrictions in orders of taking by the commonwealth or a political subdivision or public instrumentality thereof made before January first, nineteen hundred and seventy and (c) conservation, preservation, agricultural preservation, and affordable housing restrictions, as defined

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in section thirty-one which have the benefit of section thirty-two, and other restrictions held by any governmental body, if the instrument imposing such conservation, preservation, agricultural preservation, affordable housing or other restriction is duly recorded and indexed in the grantor index in the registry of deeds or registered in the registry district of the land court for the county or district wherein the land lies so as to affect its title, and describes the land by metes and bounds or by reference to a recorded or registered plan showing its boundaries. "Governmental body", as referred to in this section and sections thirty-two and thirty-three, means the United States or the commonwealth, acting through any of its departments, divisions, commissions, boards or agencies, or any political subdivision or public instrumentality thereof or any public authority or any quasi-public entity or any instrumentality created pursuant to chapter 40F of the General Laws, whether acting for its own account, or as agent or designee for or assignee of any private individual or private entity which has been required to place such restriction on its chain of title as a condition to receiving financial or other assistance from the United States or the commonwealth, acting through any of its departments, divisions, commissions, boards or agencies, or any political subdivision or public instrumentality thereof or any public authority or any quasi-public entity or any instrumentality created pursuant to chapter 40F of the General Laws.

SECTION 2. Section 31 of chapter 184 of the General Laws as last amended by chapter 81 of the acts of 1977 and by section 2 of chapter 780 of the acts of 1977 is further amended by adding at the end thereof the following paragraph:

An affordable housing restriction means a right, either in perpetuity or for a specified number of years, whether or not stated in the form of a restriction, easement, covenant or condition in any deed, mortgage, will, agreement, or other instrument executed by or on behalf of the owner of the land appropriate to (a) limiting the use of all or part of the land to occupancy by persons, or families of low or moderate income in either rental housing or other

housing or (b) restricting the resale price of all or part of the property in order to assure its affordability by future low and moderate income purchasers, or (c) in any way limiting or restricting the use of enjoyment of all or any portion of the and for the purpose of encouraging or assuring creation or retention of rental and other housing for occupancy by low and moderate income persons and families. Without in any way limiting the scope of the foregoing definition, any restriction, easement, covenant or condition placed in any deed, mortgage, will, agreement or other instrument pursuant to the requirements of the Rental Housing Development Action Loan program or the Housing Innovations Fund program established pursuant to section 3 of chapter 226 of the acts of 1987, as amended, or pursuant to the requirements of any program established by the Massachusetts Housing Partnership Fund Board established pursuant to chapter 405 of the acts of 1985, as amended, including without limitation the Homeownership Opportunity Program, or pursuant to the requirements of sections 25 through 27 of chapter 23B of the General Laws, or pursuant to the requirements of any regulations or guidelines promulgated pursuant to any of the foregoing, shall be deemed to be an affordable housing restriction within the meaning of this paragraph.

SECTION 3. Said chapter 184 is hereby further amended by striking out section 32 as most recently amended by section 3 of chapter 780 of the acts of 1977, and inserting in place thereof the following section:

Section 32. No conservation restriction or agricultural preservation restriction as defined in section thirty-one, held by any governmental body or by a charitable corporation or trust whose purposes include conservation of land or water areas or of a particular such area, and no preservation restriction, as defined in section thirty-one, held by any governmental body or by a charitable corporation or trust whose purposes include preservation of buildings or sites of historical significance or of a particular such building or site, and no affordable housing restriction as defined in section thirty-one, held by any governmental body or by a charitable corporation or trust whose purposes include

creating or retaining or assisting in the creation or retention of affordable rental or other housing for occupancy by persons or families of low and moderate income shall be unenforceable on account of lack of privity of estate or contract or lack of benefit to particular land or on account of the benefit being assignable or being assigned to any other governmental body or to any charitable corporation or trust with like purposes, or on account of the governmental body the charitable corporation or trust having received the right to enforce the restriction by assignment, provided (a) in case of restriction held by a city or town or a commission, authority or other instrumentality thereof it is approved by the secretary of environmental affairs if a conservation restriction, the commissioner of food and agriculture if an agricultural preservation restriction, the Massachusetts historical commission if a preservation restriction, or the secretary of the executive office of communities and development if an affordable housing restriction, and (b) in case of a restriction held by a charitable corporation or trust it is approved by the mayor, or in cities having a city manager the city manager, and the city council of the city, or selectmen or town meeting of the town, in which the land is situated, nd the secretary of environmental affairs if a conservation restriction, the commissioner of food and agriculture if an agricultural preservation restriction, the Massachusetts historical commission if a preservation restriction, or the secretary of the executive office of communities and development if an affordable housing restriction.

Such conservation, preservation, agricultural preservation and affordable housing restrictions are interests in land and may be acquired by any governmental body or such charitable corporation or trust which have power to acquire interest in the land, in the same manner as it may acquire other interests in land. Such a restriction may be enforced by injunction or other proceeding, and shall entitle representatives of the holder to enter the land in a reasonable manner and at reasonable times to assure compliance. Such a restriction may be released, in whole or in part, by the holder for such consideration, if any, as the holder may determine, in the same manner as the

holder may dispose of land or other interests in land, but only after a public hearing upon reasonable public notice, by the governmental body holding the restriction or if held by a charitable corporation or trust, by the mayor, or in cities have a city manager the city manager, the city council of the city or the selectman of the town, whose approval shall be required, and in case of a restriction requiring approval by the secretary of environmental affairs, the Massachusetts historical commission, the commissioner of food and agriculture, or the secretary of the executive office of communities and development, only with like approval of the release.

No restriction that has been purchased with state funds or which has been granted in consideration of a loan or grant made with state funds shall be released unless it is repurchased by the land owner at its then current fair market value. Funds so received shall revert to the fund sources from which the original purchase, loan, or grant was made, or, lacking such source, shall be made available to acquire similar interests in other land. Agricultural preservation restrictions shall be released by the holder only if the land is no longer deemed suitable for agricultural or horticultural purposes or unless two-thirds of both branches of the general court, by a vote taken by yeas and nays, vote that the restrictions shall be released for the public good.

Approvals of restrictions and releases shall be evidenced by certificates of the secretary of environmental affairs or the chairman, clerk or secretary of the Massachusetts historical commission, or the commissioner of food and agriculture, or the secretary of the executive office of communities and development or the city council, or selectmen of the town, as applicable duly recorded or registered.

In determining whether the restriction or its continuance is in the public interest, the governmental body acquiring, releasing or approving shall take into consideration the public interest in such conservation, preservation, agricultural preservation or affordable housing and any national, state, regional and local program in furtherance thereof, and also any public state, regional or

local comprehensive land use or development plan affecting the land, and any known proposal by a governmental body for use of the land.

This section shall not be construed to imply that any restriction, easement, covenant or condition which does not have the benefit of this section shall, on account of any provisions hereof, be unenforceable. Nothing in this section or section thirty-one and section thirty-three shall diminish the powers granted by any general or special law to acquire by purchase, gift, eminent domain or otherwise to use land for public purposes.

Nothing in this section shall prohibit the department of public utilities from authorizing the taking of easements for the purpose of utility services provided that (a) said department shall require the minimum practicable interference with farming operations with respect to width of easement, pole locations and other pertinent matters, (b) the applicant has received all necessary licenses, permits, approvals and other authorizations from the appropriate state agencies, (c) the applicant shall compensate the owner of the property in the same manner and the same fair market value as if the land were not under restriction.

SECTION 4. The first sentence in the first paragraph of section 33 of said chapter 184 is hereby amended by striking out said first sentence as amended by section 4 of chapter 780 of the acts of 1977 and inserting in place thereof the following sentence:

Any city or town may file with the register of deeds for the county or district in which it is situated a map or set of maps of the city or town, to e known as the public restriction tract index, on which may be indexed conservation, preservation, agricultural preservation, and affordable housing restrictions and restrictions held by any governmental body.

SECTION 5. The second paragraph of said section 33 of said chapter 184 is hereby amended by striking out said second paragraph and inserting in place thereof the following paragraph:

Whenever any instrument of acquisition of restriction or order or other appropriate evidence entitled to be indexed in a public restriction tract index is at the option of the holder of the right to enforce it submitted for such indexing, the register shall make, or require the holder of the right to enforce the restriction or order or interest to make appropriate additions to the tract index.

SECTION 6. The second sentence in the third paragraph of said section 33 of chapter 184 is hereby amended by striking out said second sentence as amended by section 5 of chapter 780 of the acts of 1977 and inserting in place thereof the following sentence:

If any governmental body, other than a city or town in which the land affected lies, holds a right to enforce a restriction or order or an interest entitled to be indexed in a public restriction tract index for any city or town which has not filed such an index, or if the secretary of environmental affairs or the Massachusetts historical commission or the commissioner of food and agriculture or the secretary of the executive office of communities and development approves a conservation or preservation restriction or agricultural preservation restriction or affordable housing restriction held by a charitable corporation or trust so entitled, and the city or town does not within one year after written request to the mayor or selectmen file a sufficient map or set of maps for the purpose, the holding governmental body or approving secretary or commission may do so.

SECTION 7. Section five of chapter 184A of the General Laws as amended by chapter 668 of the acts of 1989 is hereby further amended by adding at the end of said section five the following paragraph (d):

(d) The provisions of this section five shall not apply to an option in gross with respect to an interest in land or minerals, or a preemptive right in the nature of a right of first refusal in gross with respect to an interest in land or minerals, or a lease, or a nonvested easement in gross, which option in

gross, preemptive right in the nature of a right of first refusal in gross, lease, or nonvested easement in gross is held by a government or government agency or subdivision, or by a public instrumentality or public authority, or by a quasi-public entity, or by an instrumentality created pursuant to chapter 40F of the General Laws.

SECTION 8. Subparagraph (iii) of section 4 chapter 527 of the acts of 1983 is hereby amended by inserting at the end thereof the following:

"provided that in the case of a unit where a local housing authority created pursuant to chapter one hundred and twenty-one B of the General Laws, or a city or town has a right of first refusal to purchase the unit for the purpose of providing affordable housing said right of first refusal shall supersede the right of first refusal of said tenant."

APPENDIX 4

Private Housing Programs

PRIVATE HOUSING PROGRAMS

1. State Housing Assistance for Rental Production (SHARP)

The SHARP program provides financial support for private rental housing developers who set aside a minimum of 25% of the units for low-income tenants. Working in conjunction with the Massachusetts Housing Finance Agency (MHFA), EOCD lends SHARP funds to write down the cost of interest payments to a level no lower than 5% APR, sufficient to support the low-income units while assuring a reasonable profit. MHFA provides permanent financing through tax-exempt bonds. The EOCD loans are for a term of up to 15 years. After that period, if the owner is unwilling to maintain the low-income units as such, the Commonwealth has the option to acquire the units for their market value or the balance (principal and accrued interest) due on the loan.

Since its inception, the SHARP program has supported the development of 9,370 mixed income rental units in 82 developments, most of which are now completed and occupied. As a result of cuts in the FY 91 budget, EOCD will be unable to meet all existing obligations required by contract, and no new SHARP committments are being made this year. Although the SHARP account has increased over the past three years, these increases fulfill legal commitments from previous years. Three to five years pass between commitments and expenditures because of permitting and construction time.

2. Rental Development Action Loans (R-DAL)

Under the R-DAL program, EOCD provides a loan to encourage the construction or substantial rehabilitation of mixed-income family housing. The loan bridges the gap between cost-based rents and market-level rents. The loan is secured by a second mortgage on the property and may be for a term of 15-20 years. As with the SHARP program, the Commonwealth has an option to acquire the low-income units after the initial 15-year guarantee if they are not retained as such.

To date, EOCD has made R-DAL commitments to 28 projects containing more than 1,500 units. The FY 91 budget funds these existing contracts but it provides no funding for additional projects in FY 91 -- including some significant federal "expiring use" developments, where, without state funding, low- and moderate-income househoolds will be in danger of being displaced.

3. Tax Exempt Local Loans to Encourage Rental production (TELLER)

Under this program , local housing authorities may issue tax-exempt bonds to finance new construction or rehabilitation of rental housing if at least 20% of the total number of units are set aside for low-income households. TELLER has been geared primarily to the production of family housing, although elderly housing is also eligible.

The TELLER program depends not upon state appropriations but rather upon the amount of private activity bond volume which the federal government allows each state to allocate (the "cap"), and then by the degree of competition from other state agencies for that cap. Since 1985, the TELLER program has supported 17 developments resulting in 1982 units, of which 399 are for low-income tenants.

4. Housing Innovations Fund (HIF)

The Housing Innovations Fund provides partial financing in the form of deferred payment loans to projects sponsored by non-profit organizations. The projects must provide housing for low-income persons and families in the form of single room occupancy (SRO) housing, limited equity cooperatives, and special needs housing for persons with AIDS or those who are mentally retarded, mentally ill, or need transitional housing. The HIF loan, for a term of 40 years, covers 25% of total development costs or $15,000 per unit, whichever is less. At least half of the residents in a HIF project must be low-income.

Of the $30 million authorized in the 1987 Housing Bond, half has been expended to date, and an additional $7.5 has been committed this year. The program has leveraged approximately six dollars for every HIF dollar invested. The 93 projects which have received funding commitments include 2,144 units, of which 1,701 are for low-income households.

5. Tax Credit Program

Since 1987, EOCD has administered the federal tax credit program for low-income rental housing. Under this program, investors in housing developments which reserve at least 20% of the units for low-income residents are permitted to take a credit against taxes owned the federal government. Geared primarily to encourage the production of family housing, the tax credit program has been used to preserve existing low income housing under expiring use restrictions.

To date, tax credits have been allocated to a toal of 79 projects including nearly 7,000 units, of which some 3,800 are for low-income residents.

B. Homeownership Opportunity Program (HOP)

The Homeownership Opportunity Program (HOP) encourages the production of housing for first-time homebuyers whose family income does not exceed 80% of regional median income. At least 30% of the units in a HOP development must be priced below $95,000 to make them available to first-time homebuyers. The EOCD subsidy provides a mortgage buy-down to allow an initial rate of 5 1/2% for the homebuyer for the first five years, thereafter increasing to 8 1/2% for the remainder of the 30-year term.

Since 1986, HOP has made funding commitments to 130 projects producing more than 6,000 new homes, at least 30% of which are set aside for low- and moderate-income homebuyers. The availability of only $2.4 million in FY 91 appropriations will slow the progress of several viable projects ready for approval.

The Local Initiative Program is operated in conjunction with EOCD's role under Chapter 40B, the "anti-snob zoning" law which authorizes a developer to seek a comprehensive permit for low-income housing developments in communities which have less than 10% of its housing for low and moderate-income residents. If such proposals are rejected locally, the developer may seek approval from the Housing Appeals Committee, administered by this division of EOCD. Under the Local Initiative Program, EOCD may certify all or a portion of projects producing low-income units to count towards a community's 10% minimum.

The Private Housing Division has also been involved with the Massachusetts Housing Partnership (MHP) and the Massachusetts Bankers Association to develop a "soft second" program to allow low and moderate income homebuyers to qualify for mortgages. The program will provide a second mortgage requiring interest payments only for the first 10 years. An estimated 250 homebuyers will be served during the first year's demonstration program.

APPENDIX 5

MUNICIPAL ASSISTANCE PROGRAMS

1. Incentive Aid Program
2. Strategic Planning Program
3. Regional Planning Grants

MANAGEMENT CAPACITY CONCERNS OF MASSACHUSETTS CITIES AND TOWNS:

THE STATE'S RESPONSE

The Commonwealth of Massachusetts has long recognized the need to assist cities and towns in management capacity efforts; however, a set of circumstances combined to make the 1980's a decade of significant activity in this area:

In 1979, the Governor's Special Committee on Local Government Management (the Lederle Committee) issued a report recommending several avenues for enhancing the managment capacity of local governments in Massachusetts. The report focused on three areas of concern: (1) personnel management; (2) designing more efficient structures; and (3) using management tools, such as capital budgeting, to improve resource allocation and respond to service demands. The report's major finding was stated as follows:

> "In too many municipalities, it is apparent that there is a dire need to strengthen the management capacity of the local government. If cities and towns are to maintain a significant role in the present federal form of government, they must possess the management capabilities necessary to meet the increasing demands and challenges of public service delivery."

Although the report pointed the way to change at the local level, taking action toward improvement was hindered by the enactment of the 1979 "tax cap," and in 1981 by the implementation of "Proposition 2 1/2." Both laws, requiring that revenues collected at the local level be constrained, caused many communities to cut budgets "across the board," terminate personnel, and eliminate or reduce some services. At the same time, cities and towns were also feeling the pressure of rising fixed costs (notably insurance and pension increases), seeking to meet the mandates of the federal Clean Water, Clean Air, and Hazardous Waste clean-up laws, and attempting to address the effects of growth (increasing school population, traffic congestion, response to development proposals).

Resource management became a priority; the initial "cutback" response to Proposition 2 1/2 was inadequate as a long-term management strategy. City and town leaders had to engage in a comprehensive assessment of management needs, and make a commitment to changing the practices and procedures that were no longer effective.

A look at local government management in 1989 reveals the many approaches communities have taken to institute permanent management improvements:

- increasing management capacity by the creation of core management postions, such as town administrators, finance directors, and personnel directors.

- adoption/revision of home rule or special act charters in 23 communities since 1981, streamlining the local government structure, and providing more mechanisms to insure accountability and effective performance.

- o introducing computer technology to assist in the financial management, record-keeping, and assessment practices of municipalities.

- o creating shared positions among two or more towns to meet critical environmental needs (e.g., public health, conservation) at a reasonable cost.

- o consolidating functions, such as public works and code enforcement, to control costs, and improve the level and quality of services provided.

- o instituting capital budgets, jointly negotiated between the town and school system, so that building construction and major equipment purchases can be coordinated with existing resources.

- o developing land use management strategies by hiring town planners, providing training for board and commission members, and coordinating the responsibilities of inspection personnel.

The catalyst for a major portion of such activity throughout the state was the **Incentive Aid Program**, a management improvement grant program administered by the Executive Office of Communities and Development in cooperation with the state's Department of Education. This program, open to all cities, towns, and school systems undertaking management improvement projects, provided $14 million over the past five years to support local and school efforts. Over 250 communities and 100 schools systems participated in this program from its creation in 1984 to its discontinuance in 1990. Since Since each community/school system had identified different priorities for improvement, the Incentive Aid Program sought to meet the various needs via three avenues: (1) promoting the increase of management capacity by funding professional management and planning positions; (2) encouraging cost saving and service improvement plans for local/school management functions (e.g., budgeting, purchasing, personnel management, controlling fixed costs); and (3) supporting training and professional development programs for local government and school managers and department heads. The following sample of program "results" demonstrates the myriad approaches that can be pursued to implement management improvement:

- o new town administrator positions created in 40 communities since 1984;

- o new planner positions created in 34 communities since 1986;

- o shared health agents and inspection personnel serving towns in Franklin and Hampshire counties;

- o participation of 48 rural and small towns in the "circuit rider" program, funding shared administrative assistants serving consortia of two or three towns to improve management of local services.

- o Ch. 766 placement coordinators working in three school districts to locate appropriate placements, avoid program duplication, and reduce costs;

- o offering of a Land Development Law Course through the state's community college system; over 300 local officials have completed this course.

- o creation of the only professional development program for municipal managers certified by the International City Management Association (ICMA);

- o preparation of management improvement plans in 26 of the Commonwealth's cities, focusing on major system changes in allocating resources, and providing needed services.

- o sponsorship of workshops for mayors, selectmen, finance officers, conservation administrators, planning boards, and finance committees;

- o adoption of the non-criminal disposition method for by-law enforcement by 23 towns following publication of an Incentive Aid-sponsored guide on using this procedure;

- o development of budgeting and financial management software for small towns using micro-computer technology;

- o creation of the 10-town South Shore Coalition to encourage regional dialogue and development of solutions to common growth management concerns.

In addition to the Incentive Aid Program, EOCD also sponsored legislation of significant value in improving local management practices:

- o Chapter 363 of the Acts of 1984, which increases the options for making organizational changes in local government; and

- o Chapter 756 of the Acts of 1987, which allows communities to create consolidated departments of finance, community development, and inspections.

Such activity highlights the rapid change in the local government role -- cities and towns are no longer limited to providing education and public safety services, building and repairing streets and roads, and operating recreation services and libraries. While retaining responsibility for such functions, local governments are also taking on a variety of new/expanded roles requiring a higher degree of training and experience. For example, code enforcement and zoning regulations are increasingly important in areas where growth is spreading toward sensitive environmental areas. The application of technology is moving into areas not traditionally associated with computer use at the local level -- e.g., pavement management programs, mapping, police dispatch operations, and library services. City and town leaders are also involved in a greater array of policy issues and the search for solutions: taking the initiative to establish partnerships encouraging affordable housing; operating recycling programs and other waste management efforts; administering human services and seeking to link the services of state and non-profit service agencies to locally perceived needs; and purchasing conservation land to protect wetlands and water supplies.

The effectiveness of such endeavors is often defined by the management expertise at the local level. Communities can no longer afford to react to needs as they emerge; they must be more prepared to anticipate and plan for the services needed, the resources required, and the strategies designed to produce results. The availability of state technical assistance and funding will continue to be crucial components in developing and sustaining effective local government services. Although projects funded by the Incentive Aid Program may serve as models for successful implementation of change at the local level, it is important to note that EOCD consistently received twice as many applications for program participation than it was able to fund. Thus, the program was only a partial response to a level of need that continues to expand. The state must develop a coordinated comprehensive response in order to:

- promote better management;
- encourage the introduction of technology;
- enact state laws cognizant of local government conditions;
- promote more cooperation among municipalities, and between municipalities and school systems; and
- devise funding programs that will define state goals with the awareness that success will be dependent upon enhanced local government capacity to produce permanent improvements.

STRATEGIC PLANNING PROGRAM

The following provides some background on the Strategic Planning Program and a sample of its accomplishments.

The Strategic Planning Program offered the only state funds available for land use planning. The Program operated in five program years with appropriations of $550,000 the first two years, $1,000,000 (800,000 + 200,000 supplemental) in year three, $1,000,000 in year four and $175,000 for year five. Applications exceeded the available funds in every program year, even when prior grantees were excluded from the funding round. Final program data indicates that over 420 applications were received during the five program years, with funds awarded for only 142 projects. Requests totalling over $10 million competed for $3.2 million in grant money. Also of note, is that although Strategic Planning did not require a local match, over $530,000 in local funds were generated to match against Program funds for a 17% total over five rounds.

It is clear that Strategic Planning was a locally popular and highly competitive program that addressed a need for financial support for planning. Projects addressed critical planning concerns with state of the art techniques such as:

* Boston's grant award which funded the inventory of sites now comprising the City's 747 housing construction program.

* Duxbury's award which examined in detail, including a developers kit, the concept of "limited development" which marries housing production and preservation of open space.

* Burlington's strategic plan which resulted in the passage of zoning bylaws encouraging diversity in housing production.

* Norton's award which supported the Canoe River Advisory Committee, a subregional water protection organization established by legislation.

* Westford's examination of a development proposal on 800 acres in three communities. The development proposal is currently before a MEPA sponsored citizens review process.

* Norwood and Foxborough's respective evaluation of Route 1 industrial zoning which resulted in successful rezoning actions by both Town Meetings.

* Franklin County's Deerfield River Management Plan which outlines use and protection strategies, has been adopted by the Water Resources Commission (the first in the state) and will be used to evaluate utility company dam relicensing applications by the Federal Energy Regulatory Commission.

* The Merrimack Valley Regional Housing Compact which identifies local, regional and state responsibilities for improving housing availability and has been signed by the four communities and EOCD.

Strategic Planning Program funding was discontinued for FY91 thereby eliminating state support for land use and growth management planning. Legislative/state agency support for the expansion of local and regional planning resources however, was expressed in the final report of the Special Commission on Growth and Change. The report, issued in the midst of revenue and budget crises, recounts the need for state assistance to local and regional governments regarding planning and growth management, and details the danger of allowing these needs to go unmet.

Need for Regional Planning

Massachusetts is a strong homerule state, and communitites have guarded this power closely. However, more and more communities are realizing that their housing, economic development, traffic, solid waste and water problems cannot be solved by local actions alone. Cities and towns believe they are being negatively impacted by the actions next door - be it rapid commercial development or a residential moratorium. Solutions require cooperative efforts and shared funding in order to do such things as construct a regional solid waste facility or protect an aquifer.

Communities can no longer afford to sit idly and watch the town next door strip zone the state highway for commercial and industrial development while creating large lot single-family-only zoning throughout the rest of town. The neighboring communities experience all the through traffic; the demand for affordable housing by those employed in the town next door who cannot afford the two acre lot required there; and all the expenses to maintain local roads being used as alternative routes and to provide municipal services to their growing population.

These are commonplace problems being experienced on the Cape, the Berkshires, Merrimack Valley, Blackstone Valley, Metro West, the South Shore, etc. Communities are turning to their regional planning agencies to help them with these problems. They are beginning to see that a strong regional approach reinforces and enhances homerule in that it ensures that all the impacted local governments have a say in a major land use decision, rather than just the community experiencing the tax benefit.

This embracing of regional solutions has come at a time when regional planning agencies (RPAs) are struggling financially. The federal government, after cutting back annually for years, totally eliminated "701" comprehensive planning funds in 1981, shortly before the "Mass Miracle" took off. They were left with two main sources of funds local assessments (around 20¢/capita) and federal transportation funds (UMTA and FHWA). Due to this lack of funding, RPA's were forced to move away from general land use and housing planning and focused instead on transportation planning. They were forced to accept outdated 1980 census data, since original research and community data compilation (eg. building permits, recent rental and sales transactions, zoning amendments, etc.) were too expensive to conduct.

When growth surged in the mid 1980's the RPAs were forced to switch directions again in order to respond to the needs of municipalities. They sponsored and achieved passage of Chapter 763 of the Acts of 1985, an act to establish a state funding formula for regional planning agencies. However an appropriation to fund the formula was not passed till FY87 in the amount of $280,000 as apposed to the $865,000 needed to fully fund the formula. This was increased to $480,000 in FY88.

This funding level resulted in small formula grants averaging around $30,000/agency in FY88. Despite the small amounts, many signficant planning projects were undertaken. Examples include:

- The proposed Cape Cod Commission legislation
- The Growth Management Workbook (2 complimentary copies sent to every city and town in the state)
- Regional inventory (including preliminary site assessments) of possible industrial development sites in the Montachusett area
- Creation of subregional growth management committees such as Metro West, the South Shore Coalition and North Shore Transportation Task force
- Numerous training seminars for local boards, composed of part-time volunteers.

As is often the case, when budget problems arise, the first thing to be cut is planning and in FY89 RPA funding was again eliminated. This was a counterproductive cut. When resources are limited and there are numerous demands on those resources, it is imperative that there be a well defined and coordinated approach to resource allocation to avoid duplication, waste and costly errors. In other words we need planning most when hard times are upon us.

We have created a cycle of funding planning when the economy is at it peak, because a strong economy has major growth implications. But as soon as the economy slows we start to cut back and then eliminate planning. Planning cannot be effective and responsive to current situations when done in fits and starts. We force regional planning agencies to be constantly playing a game of catch-up by not bringing them into the picture until there is a "crisis". They need a reliable and steady source of funds in order to develop plans in advance of the problem, so they can either avoid the problem entirely (eg. water pollution) or implement a timely solution (eg. siting a prison.).

If FY 90 funding is made available to RPAs, they have prioritized 5 major action areas:

- providing technical assistance to local governments to establish growth management plans and develop zoning which implements those plans;
- assisting local and state government with site selection for regionally needed facilities such as affordable housing, solid waste treatment facilities, group homes, etc. by doing the preliminary environmental analysis prior rather than after project specific proposals (This could be fed into the new state GIS System);

- conducting reviews of development projects having regional, as well as local impacts;
- serving as a regional and local data and resource center; and
- re-establising regional housing planning capacity to determine types of housing needs, costs, preferred sites and potential "shared solutions" that fit the various housing markets that span beyond local boundaries.

All five action proposals are desperately needed and make much more sense to be conducted on a regional level. State government would benefit as well as local, and growth management efforts would be greatly enhanced.

APPENDIX 6

Community Development Programs

URBAN DEVELOPMENT PROGRAM

Urban Development programs, under M.C.L. c. 121-B, provide financial assistance to municipalitites to help revitalize deteriorated areas. The programs help cities and towns provide the economic environment needed to attract and support the private investment needed to achieve a balanced mix of housing, business and industry - one that creates growth in the local tax base.

The process involves the formulation of a plan for redevelopment, the purchase of certain properties wihin the area designated in the plan, the relocation of some residents and businesses, the clearance of designated structures, the installation of municipal improvements, and the subsequent sale of the land to redevelopers for uses consistent with the area plan and of a design approved by the municipality. This redevelopment process permits a revision of the land use pattern in the project area if such a revision is logical in view of the goals and intent of the municipality as expressed in its general plan for development. The repair and modernization of fundamentally sound but outmoded buildings within the project area which begin to show evidence of deterioration has become an increasingly significant element in the renewal effort.

FEDERALLY-AIDED URBAN RENEWAL PROGRAM

State financial participation in federally aided projects began in the early sixties to assist communities undertaking urban renewal projects under Title I of the Federal Housing Act of 1949.
Grants made are being paid in twenty annual installments and cannot exceed one half of the local share required from the municipality. Further, these grants cannot exceed 3.5 million in any fiscal year or 70 million in the aggregate.

STATE-AIDED URBAN RENEWAL PROGRAM

Authorized by the General Court in 1961 and amended in 1969 provided funds for projects ineligible for federal funds. During the late 60 and 70's a large number of municipalities applied for planning assistance as well as for execution funds.
Grants are being paid in twenty annual installments and cannot exceed one million dollars in any one fiscal year or a total of 20 million in the aggregate.

URBAN REVITALIZATION AND DEVELOPMENT GRANT

Authorized in 1985, the program was established to assist local communities to attack the slums and blighted areas found within its limits. It is a program that is locally conceived, planned and executed.

The program provides urban revitalization and development grants to meet in part the cost of an approved urban revitalization and development project. Total grants cannot exceed one million dollars in any one fiscal year or a total of 20 million in the aggregate.

Applications are submitted to EOCD Division of Municipal Development - Urban Development Program and are awarded on a need basis.

A community may apply for up to 75% of the cost of preparing a development plan. Once the plan is completed, the municipality may apply for plan approval and for an implementation grant for the project. The program reimburses communities for up to 50% of the net project cost of the plan in 20 equal annual installments. Reimbursements are conditioned upon annual appropriation of funds. Municipalities must assume full indebtedness for the project through the sale of bonds on a lump sum or as needed basis.

To date, there have been 78 federally-aided urban renewal projects, 19 in the City of Boston. There have been 25 state-aided projects, 11 of them Industrial Parks, and 165 small planning studies. Since its inception in 1985, there have been 7 Urban Development Planning studies, 5 Main Street demonstration studies and 3 implementation projects.

CHAPTER 121 A

Chapter 121-A gives an opportunity for businesses or developers to take advantage of special tax incentives. These incentives take the form of exemption from property taxes and substitute a negotiated excise tax in their stead, to last from 15-40 years, based on the characteristics of the special project. Benefits to the municipality and local community include additional revenues through the life of the contract and a broadened tax base when the contract is over. Benefits to the enterprise include a much greater measure of certainty about taxes in order to better plan business expenses.

During the last few years, EOCD has only had the opportunity to amend existing 121-A project. There is only one project in the planning process.

November 10, 1990

COMMUNITY DEVELOPMENT ACTION GRANTS (Ch. 121B, S.57A)

The Massachusetts Community Development Action Grant (CDAG) Program helps fund the construction of public roadways, water and sewer lines, and similar public works projects in support of private development activities that create or retain employment and affordable housing opportunities and revitalize distressed areas.

Created by the Legislature in 1981 in response to the Federal government's downsizing of economic development programs, the CDAG Program was initially supported by a bonding authorization of $17.5 million. That authorization has been increased three times, resulting in a $82.5 million program of economic development grants to Massachusetts cities and towns. Commitments against that amount currently total $70.8 million, with 140 awards having been made to seventy municipalities across the state. CDAG awards have generally covered the full cost of the municipal public works projects.

CDAG awards are made on the basis of applications submitted to EOCD in competitive funding rounds. Applications proposed to support job creation and retention are submitted to EOCD's Division of Municipal Development (DMD) which operates the CDAG Program. Funding requests for projects proposed to support the creation of affordable housing units are submitted through the Massachusetts Housing Partnership (MHP). If MHP endorses the proposed private housing development, the CDAG application is passed to DMD for processing. To date, there have been ten job creation and two affordable housing rounds, with awards as follows:

ROUND		# GRANTEES	$
I	(1982)	14	$ 6,959,392.67
II	(1983)	14	4,574,240.35
III	(1984)	8	1,489,376.63
IV	(1984)	7	3,499,627.72
V	(1985)	15	10,544,208.74
VI	(1986)	12	6,467,794.91
VII	(1986)	22	14,742,850.00
VIII	(1988)	8	4,205,000.00
IX	(1988)	7	4,544,830.00
X	(1989)	3	2,679,540.00
MHP I	(1987)	15	6,219,875.00
MHP II	(1988)	15	4,642,656.00
MHFA/MHP Admin.			230,200.00
TOTAL			**$70,799,592.02**

Once a CDAG Agreement is executed between EOCD and a municipality, the municipality is able to move forward with its CDAG-funded public works activities. The actual payment of CDAG funds to the city or town is made on an incremental basis during project design and construction as the appropriate contractor billings and financial records supporting each amount requested are received and approved by EOCD. Thus, CDAG annual spending lags behind the date

of CDAG award; some projects are initiated and completed in a few months, while complicated projects may require several years of design refinement, environmental review, and permitting before even beginning construction. Program spending by Fiscal Year has been as follows:

FY84	$ 3,045,166.03
FY85	6,004,221.69
FY86	3,539,341.89
FY87	8,434,296.53
FY88	9,711,882.28
FY89	14,071,576.85
FY90	8,241,324.43
	$ 53,047,809.70

The following paragraphs describe two CDAG projects, currently under construction, that are typical in their use of CDAG funds. The first project supports job creation and retention, while the second supports the creation of affordable housing units.

Job Creation and Retention - In 1988 Hampden Papers, a Holyoke-based producer of specialty papers and paperboard products, contacted the city's Office for Community Development regarding a proposed $4 million addition to its facility on Water Street in South Holyoke. The addition would house a state-of-the-art laminator, loading and warehouse space and would result in the hiring of over 20 full-time skilled and semi-skilled workers at the firm (which already had 185 employees). However, the firm's insurer had advised company officials that the city's existing water lines were inadequate to provide sufficient fire protection to an expanded facility. As a result, fire and casualty insurance coverage would not be available to the firm unless the city upgraded its water service in the area. The city and Hampden Papers then contacted the CDAG Program. Holyoke's CDAG application stressed the fact that while Hampden Papers was committed to its Holyoke location (the firm had been established in the city in 1880), expansion was impossible without funds to make improvements to the public water supply system in the South Holyoke industrial district. Based on these facts, the city was awarded $679,540 in CDAG funds.

Creation of Affordable Housing Units - In 1987 the Town of Barnstable, Sea Meadow Village Associates, and the Massachusetts Housing Partnership contacted the CDAG Program regarding a proposed 54 unit mixed-income housing project to be located in Hyannis. In its decision on Sea Meadow Village, the Town's Zoning Board of Appeals had required that the housing developer work with state and local officials to signalize a dangerous adjacent intersection (Route 28 and Pitcher's Way) and that the project tie into the municipal sewer system. Concerned that the costs of the traffic signal and the sewer tie-in would make it difficult to provide affordable units in the development, the Town applied for CDAG funds. The Town's application stressed that if the housing developer's total costs could be reduced, the developer would reduce the selling price of the affordable units in the project. Based on the application and endorsement by the Massachusetts Housing Partnership, the Town was awarded $405,000 in CDAG funds. Sea Meadow Village's 29 affordable and 25 market units are now fully occupied.

Over twenty-five applications were recently received by DMD and MHP for a fall funding round. Awards being made in this round will cover 50% of the cost of municipal public works projects, with the other 50% of the cost being provided by the municipality and/or the private entity being supported by the CDAG.

The current round acts as a transition to Governor Dukakis' recently submitted "Act Relative to Community Development Enterprise Zones" which expands the traditional Chapter 121A and 121B districts (including areas with CDAG projects) to "community development enterprise zones." Among other changes, this Act would transfer payments under the CDAG Program from general obligation bonds of the Commonwealth to local, municipal revenue sources generated by the development(s) being supported. Such a change is essential if the Commonwealth is to support the most urgent local development projects without further extending our general obligation indebtedness and if cities and towns are to meet their infrastructure needs and finance them outside the debt limits of Proposition 2 1/2. A copy of the Act is attached.

COMMERCIAL AREA REVITALIZATION DISTRICT - (CARD)

A district designation and planning program which identifies older downtown commercial areas experiencing or in jeopardy of disinvestment. There are presently about 200 CARD districts, most of which were established by the early 1980's. Larger cities may have a number of CARD districts. The CARD designation has been required for tax-exempt financing from MIFA and several infrastructure grant programs, and recommended to be eligible for Main Street. Districts are designated by the Secretary based on the level of disinvestment or threat of disinvestment. CARD districts are designated to target investments, and to include only commercial areas or areas within which should reasonably be redeveloped as commercial.

WHAT WE DO

The Director of the CARD Program provides technical assistance to cities and towns seeking CARD designation. Site visits are made, preliminary plans are reviewed, and plan submission sre reviewed, which are required to be submitted on a biannual basis.

Massachusetts Main Street Program

The Main Street Program began in 1980 as an experimental program downtown revitalization and historic preservation in five

municipalities in Massachusetts, funded by the National Trust for Historic Preservation. when those initial communities completed their three year proram in 1984, the Commonwealth decided to use CDBG funds to bring on another round of 8 communities for another three years. At this time, the Program served Main Street Programs in five communities which were developing Heritage State Parks. A new round of 5 communities was again taken on in 1987. In 1988 the agency went to bringing on fewer communities on an annual basis so there would be communities in each year of the program. A total of five urban downtowns with existing downtown programs were served with technical assistance funds through URDG grants during 1988-1990.

The Main Street Program provides funding for professional staff and technical assistance to a non-profit organization using the Main Street approach to downtown revitalization. The staff funding declines over the three years of the grant (100%, 67%, 33%), while the technical assistance is targeted on different issues each year. The Main Street approach includes as necessities organizational development, promotions, economic restructuring, and design.

The Program, operating in a total of 31 grantee communities during the height of mall mania, has had to maintain a clear focus on strengthening the downtown for the unique contributions it makes to community life. Since 1988, a total of eight communities have entered the Main Street Program. The best data is available on state investment of $590,480 which the local municipal and private investment to staff and the operation of the organizations total $626,516. These investments of organizational and programmatic dollars have been accompanied by 71 net new businesses in the downtown, 274 net new jobs in those businesses, and $7.095,284 of private investment in building renovations on the Main Streets in those towns. Further, 252 buildings have been improved during the course of the program.

WHAT WE DO

The Program consists of a Director, an Assistant Director, and a Design Assistant. Staff issues a notice of availability of funds, reviews letters of intent, meets with community organizations to describe the program, and recommends grantees to the Secretary. For active programs, staff are heavily involved in providing technical assistance to the grantee communities on a broad range of topics. They host quarterly meetings for project managers and maintain extensive resource files for grantees and other interested communities.

RELOCATION

Chapter 79A requires the Executive Office of Communities and Development to maintain a system for providing technical assistance to state-assisted projects which will result in relocation of

residents or businesses. The Bureau of Relocation must review and approve relocation plans, and acts as an arbiter where relocatees dispute compliance with a plan. There is no grant money involved in this function. It is a key function as the state considers large infrastructure developments to maintain the capacity to serve this need in good order. There are presently _____ projects underway which require relocation plans. Within the last ___ years, complaints have been heard.

WHAT WE DO

The Director of the Bureau of Relocation visits sites where relocation will be required, provides technical assistance on relocation plans, reviews plans and recommends for approval, and assists in situations where plan compliance is disputed. The Agency's Legal Division ajudicates complaints.

FEASIBILITY STUDY PROGRAM

The Feasibility Study Program was established in 1983 to fund planning grants to CDBG-eligible communities to explore the feasibility of private development projects in which the town had a significant interest in seeing that it go forward. Within the last several years, efforts have been made to fund projects who's feasibility is not yet known, but where there is a clear possibility that the project could be developed. Most funded applications in this time period were for industrial parks. These $30,000 study grants must be matched by at least a 10% local share. Presently, of the _____ projects funded during the last year, ___ have experienced follow-up work in their move toward development.

WHAT WE DO

A Grant Management Specialist oversees this program, providing technical assistance to communities seeking to conceptualize a development opportunity and the planning questions which need to be answered for the project to go forward. He advises them through the application process, reviews the application, makes grant recommendations, and manages and monitors the project. He also publishes the notice of fund availability and develops the application on an annual basis.

ECONOMIC DEVELOPMENT SET-ASIDE PROGRAM

The Economic Development Set-Aside Program (EDSA) was established in 1982 to provide gap financing to high risk businesses which would create jobs, at least 51% of which would go to low and moderate income workers. Municipalities which were eligible for Small Cities Community Development Block Grant funding are eligible for EDSA (approximately 320 municipalities). The Program was designed to reach the small businesses in economically-distressed

communities which both would provide jobs and where jobs were desperately needed. The EDSA is aarded as a grant to the municipality which the municipality then lends to the business. Since 1982, EDSA has made 51 loans in a total of 33 municipalities. The Programs have awarded $15.2 million, leveraging $6 million from other public lenders and $69.9 million from the private finance sector. These investments have been quite successful in achieving the national objective they were designed to achieve. To date, a total of 1,137 jobs have been created and 446 retained. Of those, 1,149 have gone to low and moderate income residents. In total, 73% of these jobs went to low and moderate income workers, far exceeding the required 51%.

To date, while EDSA borrowers have been affected by the economic decline, the borrowers have continued to perform reasonably well. There have been four foreclosures, for a failure rate of 8%. There have also been four buyouts during the last several years.

WHAT WE DO

The EDSA Program consists of a Director and Assistant Director. They issue notice of availability of funds, respond to inquiries from interested municipalities and businesses, provide extensive technical assistance to both throughout the application process, evaluate the application for consistancy with national objectives, and make recommendations to the Secretary for awards. For active grants, staff are required to review quarterly program reports and semi-annyual job creation reports, and to monitor projects for the use of federal dollars and the achievement of the national objective. More recently, staff have gotten involved in several problem loans and foreclosures, which have consumed staff time in getting up to speed and giving these problems loans the attention they need.

GENERAL DISCUSSION

During the ten years that most of these programs were in existence, the economy has gone from a recession with tremendous job loss in the traditional manufacturing sector, through tremendous development in commercial, service, and high tech; to an across the board decline in most sectors of the economy. They were initiated shortly after an energy crisis which brought scarcity and high prices, and exist now in an energy crisis of high prices. The broad number of programs which were initiated together in the mid to late 1970's have lost some of the important underpinnings which made them function as integrated support to each other. In this climate of retraction of the local public sector, these programs built on public-private partnerships are more important, and more difficult. A methodical listing of some of the changes over the last decade provides good insight in some of the recent changes in the programs and their usefulness in the future.

When the CARD Program was first established the Massachusetts Industrial Finance Agency was able to do tax-exempt financing for commercial developments only in CARDs, and parking structure grants as well as several other grants could only be made in CARDs. All of these incentive programs have been terminated. Since the Program is well-established, defines key districts in need of assistance, and is an accepted planning and problem-solving mechanism in approximately 200 older commercial areas, it should be rolled into any new initiatives which consider tergeted commercial development.

Other Administration initiatives in economic development have also declined in the last year with the extraordinary cuts in staffing in this area. Initiatives in tourism, the maintenance of the SITE Program files, Mass. Office of Business field staff, and general initiatives on investment in mature industries and in the most undeveloped regions of the state have all declined. This has changed the climate in municipalities and regions regarding a sense of optimism over whether conditions can improve and whether there is forward movement. This has made individual economic development programs dependent on their own resources and staff expertise to evaluate projects and work for their positive integration in the local economy. EOCD staff have done this, but a coordinated policy initiative enhances everyones individual efforts.

In the late 70's, bank financing was unavailable principally for start-ups, for risky deals, in regions with little bank competition, and for projects in risky communities (i.e., minority, rural, etc.). Bank financing is now difficult to obtain for almost any but the most secure projects. The EDSA Program has been redesigned to be able to fill a bigger gap (33% of a deal), and has been focusing on a high priority businesses from the state perspective to assure that the federal money assigned to this program not only continues to be so successful in filling that federal objective, but also is well-focused on meeting state objectives.

When the EDSA and Main Street Programs were begun we were beyond the first energy crisis, and recycling was not being taken seriously. That is not the case now. As a result, we have been working with Main Street grantees to develop a model program on commerc ial recycling, and one on using the conservation investment programs of the utilities involved with the Collaborative for the small commercial businesses which are members of Main Street organizations. We are assisting EDSA borrowers in making contact with their local utility for assistance with conservation improvements, and have sought and worked with recycling businesses as potential borrowers. We can no longer focus solely on businesses in mature industries, as was the initial focus of several of these programs, but must look at new opportunities.

Technical assistance to our Main Street and EDSA grantees has incorporated the difficult economic climate and the greater risk that almost any business finds itself subject to. We developed a workshop with grantees last summer which a municipality may be unable to pursue. A special workshop was also held to educate Main Street Directors on understanding and working with struggling businesses. Our work with EDSA grantees has focused on using ESOPs as on other tool which businesses can use to increase availability of financing and reduce some operating costs in the long run. Further, in this economic climate feasibility studies are that much more important because the private sector is less willing to undertake any project without a good sense of availability of markets, suitibility of the site, etc.

All of these programs have a proven track record both at the local level with community satisfaction with the programs, and in the numbers that measure their effectiveness. They each have something important to offer to any new initiatives in industry, regional, or district focus.

APPENDIX 7

Small Cities Program

MASSACHUSETTS SMALL CITIES PROGRAM
FINAL PROGRAM STATEMENT
FY 1990

The Commonwealth of Massachusetts has received an earmark of $23,316,000 [1] in Small Cities Community Development Block Grant funds from the U.S. Department of Housing and Urban Development (HUD) for the 1990 program year. The Executive Office of Communities and Development (EOCD) will administer the Massachusetts Small Cities Program (MSCP) this year. This proposed Program Statement identifies how these federal funds will be distributed; program components of the MSCP; and, criteria which will be utilized when aplications are evaluated. The statement further identifies eligible activities of the Community Development Block Grant (CDBG) Program; who is an eligible applicant; and, what state and national objectives apply to the MSCP components.

I. Program Descriptions and Review Criteria

The Commonwealth has established distinct program components under the MSCP which addresses a variety of community development needs and opportunities throughout the state.

The purpose of this portion of our Program Statement is to provide an overview of the various components of this year's program and how applications for these program components will be evaluated to receive funding. Further information on budget allocations and application schedules is contained elsewhere in this Statement. The Commonwealth has established distinct program components under the MSCP which addresses a variety of community development needs and opportunities throughout the state. Each component has been designed to fund a specific activity or set of activities, and to allow similar projects to be evaluated against one another, thereby allowing for an equitable distribution of funds.

Within these program components, state supported activities and services which are facing reduction in funding, such as housing abandonment and housing services, can utilize MSCP resources as long as they are CDBG eligible.

The 1990 Small Cities Program has been divided into program components that respond to specific development needs that have been identified by EOCD and grantees. The program components are the General Fund, Economic Development and Housing Development Support Program.

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[1] This amount may be increased to a maximum amount of $23,552,000 from Urban Development Action Grant (UDAG) project cancellations and recaptures during FY 90.

A. GENERAL FUND

The Massachusetts Small Cities Program's General Fund is the largest and most flexible single component of the program. Budgeted at approximately $20,749,780 million, eligible "small city" communities can apply to the General Fund to carry-out any of the traditionally eligible Community Development Block Grant activities that have been identified in Section VI of this Program Statement. Two or more eligible small cities may also join together to submit a joint General Fund application, with one of the municipalities designated as the lead community.

There are four (4) major types of projects that would generally be considered under the General Fund. They are: housing rehabilitation; infrastructure and public facility improvements; economic development and commercial renovation; and, public/social services.

Project funds may be sought for single-purpose applications, such as housing rehabilitation or commercial renovation, or public improvements. Alternatively, multi-purpose applications may also be submitted by interested communities that may include more than one eligible activity and addresses several problems simultaneously.

EOCD is encouraging applicants to develop comprehensive strategies to meet their needs, which may include projects from any or all of the categories listed above. However, public/social services projects cannot be submitted as a single purpose project. Public/social service activities may not exceed 15% of the awarded CDBG grant.

This policy should not be interpreted that EOCD is discouraging communities from utilizing CDBG funds to address public/social service needs. To the contrary, EOCD recognizes the important role that services directed at low and moderate income persons, such as day care, tutoring, drug/alcohol counseling, or services to pregnant teenagers can play in a community's overall revitalization strategy, and in reducing the barriers that individuals and households face in achieving access to opportunities which improve the quality of their lives.

Consequently, communities are encouraged to consider submitting appropriate requests for funds to provide public/social services, so long as the community has demonstrated that these funds are not available from other sources and the allocation to public/social services does not exceed 15% of the community's total Small Cities request.

Communities might also want to consider requesting funding for the "bricks and mortar" development of such services as day care centers or homeless shelters as a public facilities component of their application. Due to the complexity of such projects, however, communities wishing to apply for such funding are advised to contact the MSCP staff early in their planning process.

The Executive Office of Communities and Development will consider a number of evaluation criteria when it reviews all applications under the General Fund

of the Massachusetts Small Cities Program. The four (4) primary criteria to be used are highlighted below:

1) Need: MSCP funds will generally be targeted to the neediest of communities, or those communities with the neediest residents. EOCD will evaluate both statistical indicators of need and narrative descriptions. The following factors will be reviewed when community need is evaluated: (i) the applicant's relative level of need as compared to other applicants; (ii) the applicant's absolute level of need (when viewed on its own); (iii) the relative level of need of the applicant's target area or population as compared to other areas within the community; and (iv) the target area's or population's absolute level of need.

   The primary purpose of the MSCP is to use available funds to benefit low-and moderate-income people. Therefore, those communities with the neediest populations as documented in their General Fund applications, using appropriate survey methodology and statistics, will have a competitive advantage.

2) Program Design and Impact: Communities should design their local programs only after having assessed their full range of community development needs and setting priorities for addressing these needs. The local program design should be consistent with these needs, cost effective, and administratively feasible, given what has been proposed and the time period of the grant. The level of impact that a proposed activity or program will have on the applicant's identified needs will be a determining factor in the allocation of General Fund awards. EOCD will evaluate the level of benefits received by the applicant's low and moderate income residents as the primary factor in measuring impact. The greater the degree of impact, especially for this target population, the more competitive an application will be judged to be. Additionally, the greater the level of identified needs that are met by each project, the more competitive the application.

   Communities should consider the proposed use of program income. and the leveraging of other resources, when calculating the projected program impact over time.

3) Management Capacity: EOCD will evaluate several factors when it reviews an applicant's management plan. The overriding concern is that the applicant has, or will be able to obtain, the capability to carry-out the program that it has designed. EOCD's primary criteria for judging the competitiveness of an applicant's General Fund Management plan is whether it is well thought out and represents a sound approach to achieving proper management. Among the issues that will be included in this review are:

   - there is an administrative structure (either in place or proposed) that can oversee the various elements of the program and carry them out in a timely manner;

   - there is sufficient amount of staff to carry out the project during the given time frame, and staff expertise is adequate to implement the proposed activities;

- general administrative costs do not exceed 18% of the total grant request, are not excessive given the proposed staffing plan, and are in line with other communities submitting similar projects;

- total administrative costs (general and program) do not exceed 23% of the total grant request and are consistent with other similar projects; and

- whenever possible, the MSCP General Fund will lead to an increase in the applicant's capacity to manage itself.

4) Prior Performance: Due to limited funding and past experience with Small Cities grantees, an applicant's past performance in the MSCP will be a major factor in the awarding of General Fund grant funds. EOCD will be looking for a track record of past performance that is acceptable when viewed in terms of meeting program goals, the timely implementation of projects, responsiveness to state or federal directives, and the absence of significant and unresolved program violations.

Obviously, communities which have never received a MSCP grant in the past cannot be evaluated strictly under this criterion. In such instances, more weight will be given to the quality of their management plan, as well as a general assessment of the community's experience, if any, in implementing similar grants.

In addition to these four primary criteria, EOCD will consider several other factors when evaluating a General Fund proposal. These include:

- Has the community received a special Massachusetts Housing Partnership (MHP) designation and/or is proposing activities in support of its MHP agenda?

- Is the community in compliance with major state directives on housing growth (Executive Order 215) and non-discrimination (Executive Orders 227 and 237)?

- Are the activities that are being proposed as a part of the General Fund proposal consistent with state policies on development and of benefit to the citizens of the Commonwealth?

- Has the community made a reasonable attempt to leverage other funds?

EOCD expects to award approximately 36 grants this year from the General Fund. The minimum grant that will be awarded will be $100,000. The maximum grant that will be awarded per year will normally be $800,000.

- It is anticipated that an $800,000 award would be available to an applicant who will undertake a comprehensive program. $800,000 should permit an applicant to apply for a "big ticket item" such as site specific housing project, public facility or infrastructure project which will primarily benefit low and moderate income persons.

Applicants should also note that EOCD reserves the right to make an award to a community for less than the total amount requested by the community, on the basis of available funds, competitive demand, reasonable costs, prior years' performance, and management capacity.

1) Performance Bonus Fund

EOCD will be reserving $1 million of the funds allocated to the FY 1990 General Fund in order to offer communities an opportunity to receive supplemental funding during the program year through an automatic Bonus Fund for exceptional program performance. Any FY 1990 General Fund grantee which has no serious unresolved management issue and achieves a contracted commitment level of program funds of 65% or more in a program activity or for the overall program by May 30, 1991 may apply for an award supplement equal to 15% of the component in question or the overall program, respectively. Such supplemental funding may be used to continue the same activities in which exceptional performance was achieved, or for another activity subject to MSCP review, and administrative costs in support of these activities. The application process for these supplemental funds will consist of any interested General Fund grantees filing a special report to MSCP on contracted commitments in June 1990.

In the event that the FY 1989 Performance Bonus round is undersubscribed, or there are other indications the full $1 million set-aside for the FY 1990 Performance Bonus Fund is unwarranted, the Commonwealth reserves the right to allocate a portion of these funds as part of the regular FY 1990 General Fund round.

B. COMMUNITY ECONOMIC DEVELOPMENT

The economic development program of the MSCP will not be allocated CDBG funds from the FY 90 funds. However, EOCD considers community economic development activities to be of particular importance for FY 90. $3 million will be available from uncommmitted economic development funds from FY 89 including program income generated by the Economic Development Set-Aside (EDSA) Program.

Applications for this program will be solicited in a consolidated notice of availability of funds in three components: the Economic Development Set-Aside, Main Street, and the Community Economic Development Feasibility Study. Each component is described separately below.

While the components fund quite different project activities, they do share some of the same evaluation criteria. These include:

- compliance with at least one federal objective;

- local community needs or distress factors as demonstrated by narrative or a variety of demographic statistics; such as unemployment rates, recent employment losses, commercial and industrial vacancies, and other signs of disinvestment;

- relationship of the project to a community or regional economic development strategy;

- effective and capable local management capacity;

- breadth of public benefits provided, including improved benefits to low and moderate income residents;

- program components consistent with environmental responsibility, i.e., incorporation of energy efficiency in design of commercial and industrial facilities and the minimization of solid waste; and

- compliance with Executive Orders 215 (fair housing), 227 (civil rights/affirmative action) and 237 (subcontracting to SOMBA-certified Minority Business Enterprises).

All Economic Development Program applications will be evaluated relative to the most recent MSCP Program statement in effect at time of application regardless of which federal fiscal year would be the source of funds for the applicant.

EOCD's goal in the design and development of this Program is to maintain the integrity and centrality of the national objectives,and to constantly move the Program toward maximizing other public benefits. These include improving benefits to employees through profit sharing, Employee Stock Option Plan (ESOP), entrepreneurship development and other means, and increasing energy efficiency and environmental responsibility of all our grantees. We will continue efforts to market the EDSA component to recycling and alternative energy businesses in concert with other state programs, to market EDSA to industries with improved wages and job benefits, and incorporate employee benefits and environmental issues in the Main Street and Community Economic Development Feasibility Study programs.

1) ECONOMIC DEVELOPMENT SET-ASIDE COMPONENT (EDSA)

The Economic Development Set-Aside (EDSA) component is the principal economic development tool of the MSCP. EDSA is designed to assist communities with major, single-purpose economic development projects. Such economic development efforts may involve industrial, commercial, service, real estate or mixed-use projects.

The component is designed to provide assistance in the form of grants to communities which in turn will be made available to private for-profit businesses, quasi-public development organizations, or non-profit organizations which require such financial assistance to make projects feasible. This assistance may be in the form of a loan and other forms of support to eligible recipients for real estate acquisition, rehabilitation, improvements, construction of new facilities, purchase of machinery and equipment, or working capital. Assistance may include an allocation for local program administration costs. Loan repayments will be made through the Community Development Finance Corporation (CDFC) to the state on the actual agreement of EOCD and the lending community.

Additional Criteria for Evaluation of Proposals:

- demonstrated financial need for EDSA funds consistent with HUD directives on this;

- project feasibility (as determined by financial analysis, market feasibility, etc.);

- projected number of jobs created and/or retained and the quality of those jobs as reflected in wage levels and employee benefits;

- EDSA dollars per job created/retained is cost effective, and

- the ratio of non-EDSA and EDSA funds.

Applications to the EDSA component will be accepted on an ongoing basis throughout the program year. There is no limit to the number of applications which a community may file. Each loan to a given business will be limited to $500,000 in a given fiscal year, unless extenuating circumstances prevail.

Explorations will be undertaken in the program year to research ways to make financial assistance available to Employee Stock Option Plan (ESOPs), worker co-ops, worker buyouts and entreprenuership development. If feasible methods are found, program opportunities to fund such organizations will be defined.

Program Income

During the 1990 program year approximately $800,000 in program income from the repayment of EDSA business loans may be available for funding new EDSA loans. These funds are now being deposited in a revolving fund account within the CDBG accounts. The amount of program income could vary if some EDSA loans are prepaid or default. Given the nature of forecasting these potential events it is difficult to predict such an occurrence.

Program income is paid by the grantees' recipient to the Commonwealth. The Community Development Finance Corporation (CDFC) is the authorized entity to service these loans for a majority of EDSA grantees. All future EDSA grants will utilize this loan servicing mechanism.

2) THE MAIN STREET COMPONENT

The Main Street component is designed to help communities strengthen their local economy by improving the economic health of their established but deteriorating business districts. The program offers financial and technical assistance to help communities apply the Main Street methodology. There will be two components to each Main Street grant: funds towards the salary of a project manager, and a technical assistance grant to implement the project.

Additional Criteria for Evaluation of Proposals:

- The community's needs and ability to carry out the program. Issues of concern are: local community needs, local business district's needs, relationship of the two needs, prior economic development

efforts, and evidence of local ability to coordinate a commercial revitalization program.

- Evidence that the business community, local government and the community-at-large support the Main Street program philosophically and financially through support letters and donations.

- A well-defined, established business district with discernible boundaries setting out an area that is marketable and manageable in terms of achieving the program objectives.

- Sufficient historic or architecturally significant buildings in the business district.

- Target area is within a Commercial Area Revitalization District (CARD), or otherwise meets a local development plan or strategy.

- Integration of the Main Street goals with a local downtown or commercial plan, plans for joint Main Street/community cooperation such as energy efficiency in lighting and architectural rehabs, and willingness to work with local governments on broader town initiatives.

3) COMMUNITY ECONOMIC DEVELOPMENT FEASIBILITY STUDIES

Grant money will be available to municipalities to evaluate whether specific community economic development projects are physically, financially, or organizationally feasible. Eligible projects are either site-specific development projects or projects that are well-defined but have not yet located a site. Appropriate components of a feasibility analysis include market analysis, site engineering analysis, financial evaluation, business analysis or plan, preliminary design, impact analysis, and an outline of timing and organization to undertake the project. Maximum awards for these grants will be $30,000 and will require at least a 10% local match.

Additional Criteria for Evaluation of Proposals:

- Relative public benefit to local community economic development needs.

- Appropriate source and size of local match for the project, generally 10% or above.

- Level of community support and involvement in the project, including a local committee to oversee the study process for community based projects.

- Level of likelihood of the project going forward including the existence of a local organization capable of overseeing the development project.

C. HOUSING DEVELOPMENT SUPPORT PROGRAM

The particular emphasis of this third component of the Massachusetts Small Cities Program will continue to encourage the development or retention of affordable housing projects. The Housing Development Support Program (HDSP) will provide $2,000,000 in FY 1990 MSCP funds to communities to carry out a variety of activities to support of the development, improvement and retention of public or private housing that is affordable to low and moderate income persons. Eligible activities will include, but not be limited to: substantial rehabilitation of residential structures, homeownership initiatives (which meet the requirements of 24CFR 570.204 and 24CFR 570.207), reclamation of abandoned properties and properties threatened by abandonment, the provision of necessary infrastructure improvements, the conversion of underutilized or obsolete structures to housing, acquisition and site preparation, and demolition.

All applications for assistance through the Housing Development Support Program will be evaluated according to the following criteria:

1) Demonstrated need and demand for the proposed project, especially in regard to its consistency with the community's overall revitalization and affordable housing strategies.

2) Feasibility of the proposed financing mechanism, documentation that other sources of financial assistance have been adequately explored, that a "gap" in financing still exists, and that other funding sources which are appropriate and necessary to the project are in place.

3) The level of beneficial impact, particularly in regard to the numbers of low and moderate income households to be served, the number of affordable units to be created/retained and the degree to which units will remain affordable over time;

4) A management plan which demonstrates the capacity necessary to successfully administer a housing development program, including a realistic project schedule, adequate qualified staffing, and appropriate administrative costs.

5) Consistency with state housing development priorities, respective program guidelines, and statutory requirements;

6) Compliance with E.O. 215 (state directive on housing growth) and E.O. 227 (non-discrimination).

7) Prior program performance including meeting program goals, timely implementation of projects, responsiveness to state or federal directives, and the absence of significant and unresolved program violations.

D. MSCP ADMINISTRATION BY EOCD

The final category for which MSCP funds are used is for administrative costs incurred by EOCD during the operation of the Small Cities Program, As allowed by federal statute, this amount will equal 2% of the entire grant allocation plus $100,000.

II. Program Goal and Objectives

The Massachusetts Small Cities Program has been designed to be fully consistent with the goals and objectives of Title I of the Housing and Community Development Act of 1974 (as amended). As stated in that statute, "the primary objective..... is the development of viable urban communities, by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income." Due to the overwhelming importance of this goal, it has become the primary focus of the MSCP. This section of the Statement details the national objectives of the program to which the MSCP adheres and which are to be furthered as a result of the distribution of these resources.

National Objectives

The national goal of the Small Cities Program summarized above has been defined to ensure that program funds are used in one of three distinct ways. According to this goal, the projected use of funds must meet one of three objectives:

1. give maximum feasible priority to activities which will benefit low and moderate income families;

2. aid in the prevention or elimination of slums or blight; or

3. meet other community development needs having a particular urgency because existing conditions pose a serious threat to the health and welfare of the community, where other financial resources are not available to meet such needs.

It is the intention of the MSCP that using program funds to benefit low and moderate income people will be the primary objective of this program. However, activities funded with Small Cities funds during the year, if they do not principally benefit low and moderate income people, will address one of the other two objectives listed above.

II. Availability of Funds

The Commonwealth of Massachusetts has received an "earmark" of funds from the U.S. Department of Housing and Urban Development in the amount of $23,316,000.00[2] for federal FY 1990. These MSCP monies will be distributed during the coming year to all eligible cities and towns (as noted in Section V-Eligibility) in accordance with the approximate budgets outlined below. Any changes from the proposed component allocations which might occur due to demand will be affected either through the procedures described in this Statement (see, for instance, the discussion of recapture below) or through approved HUD amendment or waiver procedures. The full budget available for any component or program of the MSCP will be fully detailed within the Request For Proposals or Notice of Funds Availability issued for that category or program.

Component	FY 1990 Allocation
General Fund:	$20,749,780.00
Economic Development:	800,000.00[3]
Housing Development Support:	2,000,000.00
State Administration:	566,320.00

During the year, EOCD may have cause to recapture earlier program year funds from non-performing grantees. Additionally, there may be limited amounts of program funds from prior years that have yet to be awarded. Finally, there may be opportunities to recapture program income generated by communities from earlier projects. Whenever any of these situations arise, money so generated will be re-allocated within the MSCP according to the following criteria:

1. Prior unawarded funds from any component will generally be rolled over into same component for the new program year.

2. Money recaptured from non-performing grantees or from the close-out of prior projects will be available to communities on an as-needed basis for eligible activities to address emergency needs (conditions posing a serious and immediate threat to the health and welfare of a community).

   Applicants will be required to show that other financial resources are not available to meet the emergency need, the problem has emerged in the previous 18 months, and has not arisen due to local negligence over an extended period of time. Emergency funding requests will be evaluated according to the standard General Fund criteria and the following additional factors:

   - the severity and magnitude of the emergency;
   - the extent of benefit to low and moderate income persons; and,
   - the degree to which such an emergency grant will impact the stated emergency.

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[2] Any additional funds received by the Commonwealth will be allocated to the General Fund.

[3] Estimated program income that will be generated from Economic Development Set-Aside loan repayments.

There is no funding limit on emergency grants. Applications are expected to represent reasonable requests to address the existing emergency.

Communities may also apply to EOCD to access recaptured funds for the purpose of funding innovative projects that will support the community's revitalization efforts or foster more efficient or effective utilization of its other Small Cities grants. In addition to the standard General Fund review criteria, the following factors will be evaluated for such innovative proposals:

- whether the proposed project is creative/innovative;

- whether the project will demonstrate or lead to community/economic development activities which suggest a more effective way of meeting community development goals and implementing programs than those currently in use;

- whether the results of the project will be measurable and replicable in other eligible MSCP communities without the need for extraordinary funding resources;

- whether the project can be implemented in 12-months or less.

Innovative proposals normally will be funded in the $50,000 - $100,000 range.

3. Any program income generated from an earlier grant and recaptured in accordance with federal regulations, will generally be reprogrammed to the same component from which it was generated.

4. When (a) re-allocation of unawarded funds or of program income to the same program component proves infeasible due to timing issues, inadequate demand, or budget constraints (i.e., insufficient monies to fully fund a new project), or, (b) there is insufficient demand for re-captured funds to be used to address emergency or innovative needs, such monies will be reallocated to the General Fund, the Housing Development, and the Economic Development components--in that order--depending on the timing of those other components and the apparent demand for funds.

IV. Timing of Funding Availability

All program funds will be made available to eligible grant recipients based on separate Requests for Proposals or Notices of Funds Availability that will be distributed for each particular MSCP program. This will be done so that communities will be fully aware of the requirements of each particular component and have adequate time to prepare grant applications for each program. Listed below are approximate RFP distribution dates for each program and the corresponding period in which applications will be due. The exact timing for the submission of grant applications will be further refined through

the funding notice applicable to each particular MSCP program. The timing of funds distribution is as follows:

MSCP PROGRAM	RFP/NOTICE ISSUED	APPLICATIONS DUE
General Fund	July 1990	September 1990
Performance Bonus Fund	April 1991	June 1991
Economic Development Set-Aside	June 1990	Continuous
Feasibility Study Program	June 1990	Continuous
Main Street Program	June 1990	Continuous
Housing Development Support Program	May 1990	Continuous

V. Eligibility of Applicants

In all cases, eligibility to apply for and receive Massachusetts Small Cities Program funds is limited only to those cities and towns with populations of less than 50,000 residents and which are not currently receiving Community Development Block Grant funds under the Entitlement portion of the program.

The MSCP has encouraged the concept of "joint" applications (one application involving more than one community) whenever appropriate. In order to comply with federal requirements governing such applications, each participating community should be prepared to: enter into an inter-local cooperation agreement that will allow the lead applicant to carry-out work within other communities; sign the application certifications form stating compliance with program regulations; and have 100% of requested funds initially allocated among all participants.

VI. Eligible Activities

Activities eligible for assistance with Massachusetts Small Cities Program funds are only those listed below. (In all cases, unless otherwise noted, "this title" or "Title I" refers to Title I of the Housing and Community Development Act of 1974, as amended.)

(1) the acquisition of real property, including air rights, water rights, and other interests therein, which is: (a) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (b) appropriate for rehabilitation or conservation activities; (c) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (d) to be used for the provision of public works, facilities, and improvements eligible for assistance under Title I; or (e) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation which promote energy efficiency) of public works, facilities and site or other improvements, including neighborhood facilities, centers for the handicapped, senior centers, historic properties, utilities (including power generation and distribution facilities using renewable resource energy systems), streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and walkways, and parks, playgrounds and recreation facilities established as a result of reclamation, and other construction activities carried out in connection with a river and land adjacent thereto where assistance under other federal laws or programs is determined to be unavailable, flood and drainage facilities in cases where assistance for such facilities under other federal laws or programs is determined to be unavailable, and parking facilities, solid waste disposal facilities, recycling or conversion facilities, and fire protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, financing public or private acquisition for rehabilitation, and rehabilitation of privately-owned properties and including the renovation of closed school buildings);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to Title I, or its retention for public purposes;

(8) provisions of public services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the state) during any part of the twelve-month period immediately preceding the date of submission of the Statement with respect to which funds are to be made available under Title I and which are to be used for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 per centum of the amount of any assistance to a unit of general local government under Title I may be used for activities under this paragraph;

(9) payment of the non-federal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under Title I;

(10) payment of the cost of completing a project funded under Title I of the Housing Act of 1949;

(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;

(12) activities necessary to: (a) develop a comprehensive community development plan; and (b) develop a policy/planning/ management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning and implementation;

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying-out of activities as described in section 704(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981;

(14) activities which are carried out by public or private non-profit entities, including: (a) acquisition of real property: (b) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities, site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial and industrial real property improvements;

(15) assistance to neighborhood-based nonprofit organizations, local development corporations, or entities organized under section 301(d) of the

Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 101 (c);

(16) activities necessary to the development of comprehensive community-wide energy use strategy, which may include items such as:

(a) a description of energy use and projected demand by sector, by fuel type, and by geographic area;

(b) an analysis of the options available to the community to conserve scarce fuels and encourage use of renewable energy resources;

(c) an analysis of the manner in, and the extent to which the community's neighborhood revitalization, housing, and economic development strategies will support its energy conservation strategy;

(d) an analysis of the manner in, and the extent to which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvement budgeting, land use planning and zoning, and traffic control, parking, and public transportation functions;

(e) a statement of the actions the community will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low and moderate income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;

(f) appropriate provisions for energy emergencies;

(g) identification of the local governmental unit responsible for administering the energy use strategy;

(h) provision of a schedule for implementation of each element in the strategy; and,

(i) a projection of the savings in scarce fossil fuel consumption and the development and use of renewable energy resources that will result from implementation of the energy use strategy;

(17) provision of assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry-out an economic development project;

(18) the rehabilitation or development of housing assisted under Section 17 of the United States Housing Act of 1937; and,

(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low and moderate income persons (a) where the

need for the reconstruction was not determinable until after rehabilitation under this section had already commenced; or, (b) where the reconstruction is a part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.

In accordance with federal regulations, no activity listed as eligible under Section 105(a) of the Housing and Community Development Act of 1974 (as amended) will be specifically excluded from any component of the Small Cities Program. However, EOCD reserves the right to establish funding priorities in each of the MSCP components. When this occurs, these priorities will be fully detailed in the individual RFP/Application Package issued for each MSCP program component.

Not withstanding the above, assistance related to buildings for the general conduct of local government is specifically excluded (by law) from being provided under this program, except for the removal of architectural barriers to improve handicapped access.

VII. Anti-Displacement Policy

It is the policy of the Massachusetts Small Cities Program not to encourage projects to be undertaken with program funds that will cause the displacement and/or relocation of persons, regardless of income. An applicant may propose an activity which could cause displacement and/or relocation (including temporary displacement and/or relocation). In that event, the community will be required to submit a plan detailing what it will do to assist persons actually displaced as a result of MSCP-funded activities. The level of assistance to be provided to such person must be consistent with all federal and state requirements for such action. Amendments to the federal Housing and Community Development Act can require a community in certain cases to provide replacement housing for up to ten (10) years for individuals, displaced as a result of activities undertaken with Small Cities funds.

VIII. Method of Distribution

Each component of the Massachusetts Small Cities Program will be governed by a Request For Proposals/Application Package or Notice of Funds Availability that details the process by which that particular allocation of funds will be distributed. There will be a single-phase application process for each component, except for the Main Street Program, which will employ a two-phase process. The General Fund will make its basic funding available on a single-round basis. The General Fund's Performance Bonus component and the Main Street Program will also conduct single funding rounds. All the other programs under the MSCP will operate on a continuous application basis.

The basic review criteria for each of the MSCP components have been outlined in Section I of this Program Statement. However, additional evaluation criteria may be developed for any of the MSCP components to aid in the selection of the

most appropriate projects for the amount of funds available. All criteria to be employed will be described in greater detail in each Request For Proposal/Application Package or Notice of Funds Availability.

Once applications have been received by EOCD, they will undergo a three-stage level of review prior to awards being announced. At the first stage, applications will be reviewed by program staff to determine consistency with program criteria. Applications will receive a preliminary rating based on the individual review criteria for each program component. The results of this review will be forwarded to the Assistant Secretary, where further discussions will take place on program appropriateness and budgetary considerations. Additionally, other state-wide development issues will be identified and evaluated. A list of preliminary recommendations will be compiled and forwarded to the Secretary - EOCD for a final review. The final decision on all grants will be made by the Secretary, who will be guided by the criteria outlined in Section I and the relevant RFP. Assisting the Secretary at this level of the review will be the Assistant Secretary - DMD, the Deputy Assistant Secretary for Community Development, and other advisors of the Secretary's choosing.

IX. Low and Moderate Income Benefit

As stated previously, the primary focus of the MSCP is to fund projects that principally benefit low and moderate income people. Towards this end, the State's program has adopted the federal standard for the definition of low and moderate income. Accordingly, a household will be considered to be of low or moderate income if its annual income does not exceed 80% of the median income for the metropolitan area in which it is located, or, if the community is not located in a metropolitan area, 80% of the median for the county or the median for the entire non-metropolitan area of the State, whichever is higher.

EOCD has selected the fiscal years 1988-1990 as the period of time during which it would commit at least 60% of its funds to projects that principally benefit low and moderate income people. The 1990 program year marks the third year of that three-year cycle. EOCD estimates that at least 75% of its FY 1990 funds will be spent on projects directly impacting low and moderate income people, based on past experience.

X. Program Sanctions

EOCD reserves the right to suspend or terminate grant awards made to eligible communities, consistent with existing policies. These actions will only be taken in instances of fraud, abuse, poor performance, misrepresentation, or extreme mismangement. Grantees becoming involved with such program sanctions will be given a full opportunity to appeal such decisions to the Secretary of EOCD before any final action is taken.

All program funds recaptured through this process will be re-programmed consistent with the procedures in Section III - Availability of Funds of this Statement.

Based on the significance of the issue involved in any such determination, EOCD may suspend, for a period of up to three (3) years, a community's eligibility to participate in all MSCP components. Such action will only be taken in extreme circumstances, and only after all alternatives have been exhausted.

XI. Program Income

Any community which expects to realize some program income as a result of its proposed MSCP program (through loan repayments, recapture, and the like) must indicate in its application how it proposes to use its program income. According to federal regulations and state policy regarding program income, until formal close-out of any grant, the program income generated from that grant may only be spent on any CDBG-eligible activity. Unless alternate procedures are detailed in the relevant RFP for a component, the general rule will be that communities which propose to continue the originally-funded CDBG activity with their program income will receive automatic approval; communities that propose an alternate, CDBG-eligible activity will have their program income plans reviewed for appropriateness by the MSCP staff at the time of application.

However, communities who will receive an Economic Development Set-Aside award shall submit program income generated from loan repayments to the Commmonwealth. A revolving loan fund has been established which will fund economic development activities as described in Section I (Program Description).

Communities will be expected to estimate how much program income they expect to receive, and from what sources and over what time periods. They must also detail how they intend to re-use those funds, identifying proposed activities, allocations, time frames, and management.

EOCD will also review a community's program income balance at the time of application, and periodically during the grant term. Excessive program income balances, or failure to employ program income properly or in a timely manner, may result in EOCD reducing or turning down a funding request, requiring the community to expend program income prior to accessing additional MSCP monies, or exercising any of the program sanctions described in Section X, above.

XII. Citizen Participation

All applicants for funding under the FY 1990 MSCP must comply with the revised citizen participation requirements contained in Section 508 of the Housing and Community Development Act of 1987. Communities must include in their application for MSCP funding a local citizen participation plan which details how the community will:

a) provide for and encourage citizen participation, with particular emphasis on participation by persons of low and moderate income who are residents of slum and blighted areas and of areas in which MSCP funds are proposed to be used;

b) provide citizens with reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, and relating to the actual use of funds;

c) provide for technical assistance to groups representative of persons of low-and moderate-income that request such assistance in developing proposals;

d) provide for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance. These hearings shall be held after adequate notice, at times and locations convenient to potential or actual beneficiaries, and with accommodations for the handicapped;

e) provide for a timely written answer to written complaints and grievances, within 15 working days where practicable; and,

f) identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

XIII. Further Information

EOCD has solicited comments from localities and citizens regarding the content of this Statement.

Any community or citizen wishing further information on any aspect of the Small Cities program may contact program staff at the phone numbers listed below.

Massachusetts Small Cities Program
Executive Office of Communities and Development
100 Cambridge Street, Room 1803
Boston, MA 02202
(617) 727-8690
(617) 727-0494

APPENDIX 8

QUASI-PUBLIC CORPORATIONS

1. Massachusetts Housing Partnership
2. Massachusetts Housing Finance Agency
3. Community Economic Development Assistance Corporation
4. Community Development Finance Corporation

MASSACHUSETTS HOUSING PARTNERSHIP

The Massachusetts Housing Partnership (MHP) was established in 1985 to promote local efforts to develop and preserve affordable housing through partnerships between the private sector and state and local government. It consists of: (1) a forty-member policymaking board, established by executive order, that is appointed by the Governor and meets with him quarterly; and, (2) an independent corporation, the MHP Fund, established by statute that acts on behalf of the Partnership and is financed by the state's banking industry. The Fund's seven-member Board of Directors is appointed by the Governor and by the state's banking associations. It has a ten-member staff and is located at 88 Broad Street in Boston.

The guiding principles behind the Partnership have been to establish affordable housing as a key component of economic growth and to ensure that state efforts to provide affordable housing are responsive to local needs and must have the strongest possible base of local support. This has been accomplished in three ways:

(1) Establishing and supporting a network of local housing partnerships. Following a public challenge issued by MHP to every city and town in the Commonwealth, nearly 200 local housing partnerships have been formed. These local coalitions, which include local officials and civic leaders such as realtors, bankers and homebuilders, have had a major impact on the local political process and created a new local constituency for affordable housing. They have involved more than 1,500 local volunteers in designing affordable housing strategies that respect the unique needs and character of each community. Many suburban and rural communities have become involved with affordable housing for the first time through MHP.

(2) Using bank funds to address housing needs not otherwise being met by the Commonwealth. Funding for MHP is currently provided through a $35 million trust fund from savings and cooperative banks that was established by legislation in late 1985. Funds have been utilized on a revolving basis for the following purposes:

- First-time Homeownership. The Homeownership Opportunity Program (HOP), established with approximately $14 million from MHP, has supported production of nearly 6,000 new units using "shallow" state housing subsidies to leverage private construction financing and to obtain zoning and other local contributions that reduce the cost of providing affordable housing. It is now jointly administered by the state Executive Office of Communities and Development (EOCD) and Massachusetts Housing Finance Agency (MHFA). One hundred and thirty-one projects have been undertaken in sixty-nine Massachusetts communities. Each dollar of state subsidy has leveraged three dollars of local and/or private sector contributions.

- Technical Assistance to Cities and Towns. The $2 million MHP Municipal Advance Program has been the state's first front-end technical assistance program for cities and towns to support the development of affordable housing. Through nearly 200 small grants it has given many communities the professional expertise to negotiate with private housing developers, to develop broad-based local support for affordable housing development, and to produce affordable housing on city- or town-owned land.

- Front-end Loans to Non-Profits. MHP has established, through the Community Economic Development Assistance Corporation (CEDAC), a permanent $3.8 million loan fund for technical assistance and front-end loans to community development corporations and other non-profit housing developers. These high-risk loans are not available from private lending sources and have supported the development and preservation of 6,296 housing units in 102 projects with a loss rate of less than ten percent (see CEDAC transition report).

- Support for Housing Innovation. The Partnership has provided $2.2 million in financial and technical assistance to more than seventy housing innovation projects which (1) have demonstrated more cost-effective ways of providing affordable housing and (2) have potential to be replicated across the Commonwealth. Start-up projects supported by MHP range from a statewide clearinghouse to link home buyers with available property and financing to the creation of a housing trust fund by the Hotel Workers Union. More than 35 technical publications have resulted from these MHP-financed initiatives, including design manuals for affordable housing in both cities and small towns, methods of combining affordable housing with public open space, alternative financing mechanism such as land trusts and limited equity cooperatives, and legal mechanisms to combine state and local housing programs and thus to bring more federal dollars into Massachusetts.

- Transitional Loan Guarantees. MHP established a $2 million credit enhancement program to support several non-profit rental housing developments stalled because of the uncertainties of the 1986 federal tax reform act. This temporary financing arrangement allowed the projects to be completed at only a nominal cost to the Partnership.

(3) Using leadership to draw more funds into affordable housing in Massachusetts and to make state housing programs more responsive to local concerns. The MHP Board includes many of the state's leaders in real estate, development, and finance along with public interest advocates and senior state and local officials. The Board has played a strong policy role and pulled key decision makers in the public and private sector together with the Governor to develop solutions to housing problems and to take advantage of new housing opportunities.

- Joint Efforts with Private Lenders. The Soft Second Loan program, in which a conventional first loan is combined with a second loan in which risks are shared between the state and participating lenders, is providing a graduated payment mortgage product for first-time buyers that is comparable to the HOP program but at substantially less the cost to the public. This program was recently developed by MHP in conjunction with a task force of the Massachusetts Bankers Association.

- Housing Preservation. MHP negotiated the first two agreements in the nation to sell private subsidized housing developments with expiring use restrictions to tenant-based non-profit corporations. This prevented the conversion of the projects to market-rate housing and the displacement of low and moderate-income tenants. The two workouts, at Beaver Apartments in Framingham and Clarendon Towers in Somerville, were a model for recent federal legislation.

- Capturing Value in a Soft Market. MHP's demonstration efforts to convert unsold properties into affordable housing have formed the basis of changes that allow all state housing finance programs to be used for existing housing stock in addition to new construction. Two projects that recently closed in Webster in Quincy have used low-interest state financing as an incentive for banks to write off loan losses and provide affordable housing units, both owner-occupied and rental, at a substantial discount from market value.

- Local Housing Incentives. Two years ago the state's Anti-snob Zoning Act was in serious danger of weakening or repeal due to a wave of controversy and negative press coverage. This would have virtually halted the Commonwealth's successful efforts to finance affordable housing in suburbs and smaller towns. MHP worked closely with a special legislative commission to propose changes in state policy that addressed the legitimate concerns raised by local officials. MHP then convened a working group of public and private leaders to draft regulations needed to implement these changes. As a direct result of these efforts: (1) all state-financed housing developments must now be presented in good faith to local public officials and all reasonable concerns must be addressed by the developer; (2) cities and towns may now develop and implement housing actions plans as an alternative to confrontational developer-sponsored projects; and, (3) locally-sponsored projects that do not rely on state or federal housing subsidies now "count" toward a community's stock of affordable housing and may utilize the one-stop comprehensive permit process.

- Community Reinvestment Act. Acting as an intermediary between bankers, local officials and community organizations MHP has helped establish four regional coalitions (in Greenfield, Fitchburg, New Bedford and Cape Cod) that are developing new, private lending products to expand the supply of affordable housing. The objective of each coalition is to work constructively with local bankers to design new products that meet the credit needs of low and moderate-income citizens, help address the banks' Community Reinvestment Act (CRA) obligations, and provide sound business opportunities that will earn lenders a reasonable return.

- Federal Deposit Insurance Corporation (FDIC). MHP has been meeting with officials of the FDIC to ensure that (1) construction and permanent loans for affordable housing projects already underway are not needlessly jeopardized by bank liquidations and (2) to find ways of utilizing bank-foreclosed properties to provide affordable housing at a substantially reduced cost.

- Environmental Protection. Affordable housing projects are frequently jeopardized by frivolous environmental complaints which result in protected legal appeals and years of delay. MHP proposed and drafted an agreement between EOCD and the state Department of Environmental Protection in 1989 which established (1) stringent environmental standards for all state housing programs and (2) an expedited DEP environmental review process for all state-financed housing projects. This agreement ensures that all legitimate environmental concerns are addressed while preventing the opponents of affordable housing from "hiding" behind false environmental issues.

- Federal Housing Bill. MHP is convening the state's housing leaders to advise the new administration on issues surrounding the implementation of the recently enacted federal housing bill. The legislation promises to bring tens of millions of additional dollars to the Commonwealth for affordable housing, and it is particularly critical that regulations now being drafted by the U.S. Department of Housing and Urban Development are favorable to Massachusetts.

The recent passage of interstate banking legislation opens up substantial new resources for MHP. Any out-of-state bank or bank holding company which acquires a Massachusetts bank must make nine-tenths of one percent of the acquired bank's assets in the Commonwealth available to the MHP Fund for the purpose of financing affordable housing. This has the potential to infuse tens and possibly hundreds of millions of dollars of below-market private financing into the Commonwealth's efforts to provide affordable housing.

MHP is positioned to play an increasingly important role on housing issues in Massachusetts now that state and local funds are very limited, greater private investment is needed, and new strategies must be developed to address affordable housing needs in a slower real estate market. The most significant challenges for the Partnership in 1991 will be:

- developing new mechanisms to finance affordable housing that have little or no fiscal impact on the Commonwealth and its cities and towns

- keeping state and local leaders committed to affordable housing during a period when housing is still critical to the state's economic growth but where financing has become increasingly difficult

- developing effective model that use limited state and local resources to better utilize existing housing stock, particularly the conversion of now vacant properties into affordable housing

- actively preventing the further loss of housing stock through mortgage defaults and disinvestment

- effectively utilizing the new funds that will be available to MHP through the Interstate Banking Act to compensate for the loss of housing resources in the state budget and the limited availability of private credit.

THE COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS HOUSING FINANCE AGENCY
50 MILK STREET
BOSTON, MASSACHUSETTS 02109 · (617) 451-3480

MARVIN M. SIFLINGER
Executive Director

MASSACHUSETTS HOUSING FINANCE AGENCY TRANSITION REPORT

Mission: "To promote and provide for the production and preservation of quality multifamily rental housing and opportunities for homeownership affordable to people of varied economic means throughout the Commonwealth; to assure the sound financial and physical management of this housing and to promote the provision of human services for our client population."

The Organization

$4 Billion Organization
- Created Chapter 708 of the Acts of 1966
- Self-supporting, $300,000 start-up loan from state repaid in 1973 (ten years before it was due)
- Financially independent, but accountable to Administration and Legislature

Brings Private Mortgage Capital Into State's Economy
- Raises capital through federally authorized bonding programs
- Bonds sold in securities market to private investors
- Creates jobs and tax revenues

Run Like a Business
- Rated a "Top Tier" agency by Standard & Poor's in 1987; rating reaffirmed in 1990, during Commonwealth's credit crisis
- Proactive portfolio management/low delinquency rates
- Sophisticated management and budgeting systems
- Accountability ensured through strategic plan, annual goal setting and performance-based staff evaluations

MHFA's Impact

Leader in Financing of Mixed-Income Rental Housing
- Financed 559 developments and 68,000 units (50,000 in permanent portfolio)
- Represents $2.8 billion investment statewide
- 38% of SHARP units (in excess of 25% required) are low-income

Created Homeownership Opportunities for First-Time Buyers
- Helped more than 22,000 low- and moderate-income buyers
- Represents $1.2 billion investment
- Currently serving households earning $40,000 or less, compared with $75,000 income needed to support median priced home

One of Major HFAs in Nation
- At forefront of national debate on housing issues, policies
- Developed pioneering initiatives in human services delivery; has strong track record in serving women and minorities
- Recipient of numerous regional/national awards

MHFA Overview

The Massachusetts Housing Finance Agency is one of the major housing finance agencies in the country. Created by Chapter 708 of the Acts of 1966, MHFA is now a $4 billion organization. The Legislature gave the Agency a $300,000 start-up loan which was repaid in 1973, 10 years ahead of schedule. MHFA is an entirely self-supporting Agency which depends on no public funds for its administrative expenses.

Although a quasi-independent Agency, MHFA is accountable to the public.

- The Board of Directors is appointed by the Governor and includes ex officio the Secretaries of A & F and EOCD, as well as prominent representatives from banking and real estate sectors.

- MHFA's tax-exempt bonding authority is subject to a federally imposed volume cap administered by A & F;

- The sale and terms of all notes and bonds must be approved by the treasurer and receiver-general;

- MHFA is required to notify state legislators prior to issuing loan commitments in their districts;

- The Joint Housing and Urban Development Committee oversees all MHFA legislative petitions;

- The Agency informs the Financial Advisory Board of its intentions to issue bonds;

- The Legislature approves the Agency's outstanding bond volume limits.

As a self-supporting Agency, MHFA must earn income to stay in business; this income is essential to allow MHFA to:

- Meet rating agency requirements for adequate reserves to sustain "top tier" rating;

- Reinvest in bond issues to achieve attractive rates which are passed on to the consumer;

- Make energy efficiency loans to multifamily developments;

- Make closing cost loans to lower income homebuyers;

- Sponsor Minority Management and Appraisal Training programs;

- Fund major security initiatives for MHFA-financed developments located in Dorchester and Roxbury;

- Capitalize MHFA's Mortgage Insurance Fund to assist lower-income, first-time homebuyers.

MHFA programs stimulate the economy by creating construction jobs and state, local and federal tax revenues. The SHARP rental production program and single family new construction together have created over 11,000 jobs and $246,000,000 in tax revenues.

Standard and Poor's initially rated MHFA as a Top Tier agency in 1987. As the Commonwealth's credit rating declined, Standard & Poor's launched an exhaustive review of MHFA which resulted in a reaffirmation of our "top tier" status in 1990. This reflects confidence in our administrative capabilities, internal controls, financing management and portfolio quality. MHFA's management also has resulted in single family mortgage delinquency rates hovering around 2 percent, far below state and national averages.

MHFA's strength also can be attributed to its partnership with private investors. MHFA requires multifamily developers to invest substantial equity in their projects which are also managed by private management companies. MHFA sells its bonds to private investors who demand a sound Agency in which

to invest. Through the investment of private funds in its bonds and developments, MHFA has created affordable housing for approximately 250,000 people in Massachusetts.

Among the many people assisted, MHFA has a strong track record in serving minorities and women owned businesses. Over 35 percent of MHFA's SHARP development residents are minorities; and through aggressive outreach efforts, 19 percent of the Agency's single family loans issued during the past two years have gone to minority borrowers. The Agency also has met its aggressive goals for the hiring of minority or women owned businesses in any contracts related to the Agency, a record recognized in 1990 by The Association of Affirmative Action Professionals.

MHFA has pioneered initiatives to deliver human services and revitalize neighborhoods. The Agency recognizes that it invests not just in real estate but in the people that live in its housing. The Tenant Assistance Program, Inner-City Task Force and coordinated elderly services are a few examples of how MHFA is addressing this issue.

MHFA has received a number of regional and national awards recognizing its innovative housing production programs and attention to insuring the delivery of human services and coordination of neighborhood revitalization efforts. MHFA has reached this level of influence and recognition in large part due to its sophisticated management and budgeting system which keeps the Agency focused on its mission.

Multifamily Programs

In its 20 years of existence, the Agency has loaned $2.8 billion to 559 developments representing 68,000 units (50,000 in our permanent portfolio) for construction and/or permanent financing. Nonprofit as well as limited dividend for-profit developers have built these units. The Agency's SHARP Program (begun in 1984) produced more than 9,000 rental units, of which 37% are rented to low-income households -- far in excess of the required 25%. In addition, 44% of the SHARP market-rate units are rented to households with annual incomes of $35,000 or less, demonstrating the program's ability to serve moderate income persons. Current real estate market conditions have made it necessary for MHFA to redesign successful market-driven programs such as SHARP which were launched during the real estate boom of the 1980's. A redesigned SHARP program has been developed to respond to current market needs when subsidies again become available.

Recent passage of federal legislation -- the National Affordable Housing Act of 1990 and the Low Income Housing Tax Credit -- will provide the necessary tools for MHFA to play a central role in the preservation of some 31,000 units of "expiring use" rental housing in Massachusetts. Expiring use properties were financed by the federal government 20 years ago with contracts which permitted owners to prepay their mortgages and convert the units to market-rate. The federal legislation establishes a framework, time tables and federal subsidies which in conjunction with MHFA financing and long-term oversight, will insure preservation of these vital housing resources. The Agency has already financed the first expiring use development in the nation, insuring the protection of 286 units of affordable housing. Another 1,000 units are under review.

The Agency also has focused efforts on financing the rehabilitation of 1,162 units of HUD-foreclosed housing in North Dorchester and Roxbury. Local minority developers and non-profit community development corporations under the aegis of the Boston Housing Partnership are undertaking the renovations. Additional HUD-foreclosed units are expected to come on the market in the next year, which MHFA will seek to preserve.

MHFA has developed the Rental Acquisition Development Initiative (READI) in response to existing opportunities for affordable rental housing in the softening real estate market. MHFA provides financing to developers for the acquisition and rehabilitation of these properties in return for a reservation of 20% of the units for low-income households for a minimum of 15 years.

Single Family Programs

MHFA has loaned $1.2 billion to 22,200 first time homebuyers since 1979. Through its single family programs MHFA has made housing affordable to households earning less than $40,000 (the Boston metro media income is $46,300) at a time when it requires an income of $75,000 to purchase a median priced ($180,000) home in the Boston area.

Through these programs, MHFA has consistently tried to put homeownership within the reach of households who because of income or special needs cannot be served by the conventional mortgage market. Funded through the sale of federal tax-exempt Mortgage Revenue Bonds, the Agency's home mortgages are offered by participating lenders statewide and generally are available at two percent below the going market rate. To qualify, borrowers must be first-time buyers who meet income and federally-established home acquisition cost guidelines.

MHFA's mortgages are now offered through various set-aside programs including General Lending (a portion of these funds are reserved for priority borrowers who are Vietnam Era Veterans and lower-income, minority and physically disabled borrowers); Neighborhood Rehabilitation; New Construction; and the Homeownership Opportunity Program (HOP). The HOP program was created in 1985 to spur production of affordable homes in an escalating market. Over 3500 units are in process under the HOP program with the average income of HOP borrowers being $28,000.

More recently, MHFA has refocused its efforts in order to capitalize on the affordable housing resulting from the softening real estate market. An example of this is the MHFA's Acquisition Set-Aside Program (ASAP) which now provides builders with a set-aside of MHFA mortgage funds in exchange for price concessions on their unsold units, primarily condominiums.

In addition to its traditional home mortgage program, the MHFA this year offered a restructured Home Improvement Loan Program (with special set-asides for elderly and disabled persons) and its first Mortgage Credit Certificate Program (MCCs). MCCs reduce the amount of federal income tax owed by a participating borrower and work well with lenders own first-time buyer programs.

Through its Borrower Assistance Program, the Agency is providing closing cost assistance to HOP borrowers. And through several mortgage insurance initiatives, the MHFA is facilitating the use of 5% downpayments (a trademark of our first-time buyer programs) and more flexible underwriting requirements.

Human Service Programs

MHFA's nationally-recognized, self-funded Tenant Assistance Program (TAP) successfully provides substance abuse counselling to MHFA residents. Property insurance discounts for developments that participate in the program provide necessary funding. Management company participation in the TAP program also meets the federal criteria for a "drug-free work place" for the purposes of federal contracting.

MHFA's Inner-City Task Forces established initially in Boston in the Roxbury and Dorchester neighborhoods as part of MHFA's efforts to finance over $100 million of housing rehabilitation, and then expanded to New Bedford and Springfield, were initiated to provide a forum to address the pervasive issues of crime, substance abuse and economic decline in the inner-city. The task forces have been instrumental in reclaiming affordable housing developments from drug dealers and restoring them to safe, habitable homes for low-income families while minimizing the Agency's and bondholders' risk.

Over 19,000 elderly residents make up 45% of the Agency's tenant population. In addition to the TAP programs geared to the elderly, MHFA has accessed federal funds through a Robert Wood Johnson grant to coordinate the delivery of social and health care services which provide the residents with additional independence and delay the costs to the State of premature placement in nursing homes.

MHFA is a participant in the creation of a statewide central registry for accessible housing and in the development of a universal application for individuals with AIDS who are in need of affordable housing. The Agency has convened a subcommittee on adaptable housing to encourage the development of single and multifamily housing that can accommodate the needs of disabled persons. MHFA has also entered into a contractual agreement with DMH and DMR to provide guaranteed set-asides of affordable units with needed services.

MHFA developed the Bright Horizons program which provides adolescent residents of several of our Boston developments with opportunities to work as interns for MHFA after school and during the summer months. The Agency has also encouraged and financed the development of on-site, licensed day care centers in our multifamily developments to provide families with safe, affordable day care.

Looking Ahead

The Commonwealth's softening real estate market and financial situation will continue to have implications for the provision of affordable housing in the decade ahead. In this context, the Agency's priorities will include:

- Continuing to capitalize on the state's changing real estate market through programs such as ASAP, HOP, READI, and SHARP;

- Working to extend federal authorization for the Mortgage Revenue Bond and Low-Income Housing Tax Credit Programs, both vital to the continuation of MHFA's single and multi-family programs;

- Exploring opportunities to leverage funds through the federal Affordable Housing Act of 1990, the Federal Home Loan Bank Affordable Housing Program, initiatives of the Massachusetts Housing Investment Corporation, pension funds, and the Hotel Workers Union Housing Trust Fund;

- Ensuring that units in our multifamily portfolio as well as other "expiring use" and HUD-foreclosed properties remain affordable, and physically and financially viable, including the provision of security or other human services such as those provided by the Inner-City Task Force, as necessary;

- Exploring more effective and efficient methods of managing assisted housing in high-crime, inner-city neighborhoods;

-Pursuing increasingly efficient methods of internal budgeting, staffing, performance evaluations, and cost controls;

- Continuing to find ways to make homeownership more affordable, and, in areas where a need still exists, encouraging housing production;

- Maintaining the Agency's "Top Tier" rating from Standard & Poor's which is vital to our ability to continue to attract investment at viable interest costs.

The Community Economic Development Assistance Corporation (CEDAC)
A Transition Document
November 14, 1990

I. Introduction

The Community Economic Development Assistance Corporation (CEDAC) is a 12 year old quasi-public corporation that provides technical assistance and predevelopment financing to non-profit organizations. In providing this technical assistance and providing these loans, CEDAC has four goals:

- promoting real estate development that revitalizes chronically depressed areas,
- encouraging the development of affordable housing throughout Massachusetts,
- assisting in the creation of facilities, such as day care centers, that meet the needs of low and moderate income individuals, and
- strengthening the network of nonprofit community development organizations in the state.

CEDAC gets involved at the earliest stage of project planning, typically three years before construction begins, supplying the risk money and expertise needed to eventually secure the permits and financing to make a development project a reality.

During the last five years, CEDAC has helped to develop 91 projects in 24 cities creating 4,645 housing units. Another 5,137 units are in the planning pipeline.

II. Background

CEDAC was created by an act of the Legislature in 1978 after years of effort by community-based organizations seeking a source of assistance in carrying-out development activities designed to revitalize chronically depressed areas. CEDAC was the first institution of its kind in the country. It has proven to be a major advance over earlier forms of development assistance because:

- it directed funding to projects rather than to organizations, thus rewarding productivity,

- CEDAC's service delivery model recognized and addressed the need many nonprofit organizations have for assistance in contracting for and evaluating the professional services needed to carry-out development projects, and

- rather than funding the duplication of specialized development capacity within every nonprofit organization, the creation of a statewide technical assistance agency provided a more efficient vehicle for delivering development expertise.

By 1983, most of CEDAC's efforts focussed on real estate projects, especially affordable housing projects. In response to funding pressures, during the same period CEDAC began to move away from granting assistance.

Predevelopment Lending Ten years ago, CEDAC provided its services the way most technical assistance providers do; by making grants to recipients. Funding pressures led CEDAC to institute a recapture policy: If a project successfully assembled the financing to proceed with construction, a contract between CEDAC and the TA recipient required the developer to build those costs into the mortgage and to repay CEDAC for some of its services. CEDAC eventually abandoned the recapture policy in favor of unsecured interest-free loans that are repaid only if the project achieves a construction loan closing. In short, CEDAC places its funds entirely at risk. Remarkably, CEDAC losses have run at about 5%, far below projections.

Risk Management CEDAC's loan funds have performed well because of procedures designed to manage risk. The first step in that process is to flesh out the project's critical path. CEDAC's objective is to assist borrowers along that critical path provided each step helps successively to resolve uncertainties about the project's feasibility. Initial loan advances are very small. They might pay for preliminary site analysis and development consultant services. The product of that phase is a crude proforma that sketches what kind of financing and subsidy might be needed to implement the project. If those resulting assumptions are supportable, CEDAC advances additional funds to extend site control, for more rigorous site analysis and the like.

With each iteration of this process, the amounts CEDAC will approve grows because the preceding activities have helped to reduce risk. CEDAC expects to write-off many of these early loans because early analysis demonstrate they are infeasible; but the process is designed to minimize the need to write-off many large loans. In effect, CEDAC's risk management procedures are similar to those practiced by private developers who meter their risk capital expenditures to minimize their exposure.

Constituency CEDAC is statutorily restricted to providing its services to non-profit organizations. To date, it has assisted over 200 non-profit organizations. CEDAC serves:

- **community development corporations** such as the Fenway CDC and the Brightwood Corporation,
- **community action agencies** such as Community Teamwork and South Middlesex Opportunity Council,
- **regional non-profit housing development agencies** such as South Shore HDC and the Housing Allowance Project,
- **homeless shelters** such as Shelter, Inc., and Pine Street Inn,
- **battered women's shelters** such as HER and the Elizabeth Stone House,
- **tenant organizations** such as the Clarendon Hill Tenants' Association and the Allen Park Tenants' Association,
- **a wide variety of social service organizations including Dimock Community Health Center, the Cambridge YWCA, and many more.**

III. Program

Development Assistance The core of CEDAC's program is its development assistance -- helping eligible organizations plan real estate development projects by assigning staff to provide technical assistance and by lending funds to pay for predevelopment services of architects, lawyers, engineers and other professionals as well as to secure site control.

CEDAC pioneered the field of predevelopment lending. CEDAC's loan products -- Technical Assistance Advances, Front Money Loans and Site Control Loans -- have become a national model. The CEDAC products have been incorporated into state programs in Vermont and Rhode Island as well as the Community Housing Partnership Act.

While CEDAC's loans are relatively small, especially initially, the volume of lending is quite high. CEDAC makes approximately 90 predevelopment loans a year to advance planning on 60 projects.

CEDAC's staff is comprised of very experienced developers who work closely with borrowers, coaching them on the development process, selecting a development team, and making critical decisions. If a project encounters difficulties, CEDAC staff works more intensively with the developer.

Housing Preservation Since 1983 a major focus of CEDAC's program has been preserving the stock of federally-subsidized multi-family rental housing in the state. This type of housing represents half of the subsidized stock nationally. Given the cost of building new units and the large number of existing units in the subsidized stock that are threatened, CEDAC has seen the preservation of affordable units as being as important as the construction of new ones.

CEDAC has fostered resident or non-profit ownership and control of projects that are at risk, due to financial or physical distress, as well as those whose affordability is threatened by regulatory and market pressures. It has been a strategy that has worked.

Among the most significant achievements of CEDAC's housing preservation program have been:

- Preservation of four distressed projects containing 514 units through the creation of tenant-owned limited equity cooperatives.

- Conceiving of the purchase and rehabilitation of 954 units of Granite Properties by seven CDCs in concert with the Boston Housing Partnership and initiating negotiations with the U.S. Department of Housing and Urban Development that led to the sale.

- Acquisition and rehabilitation of a 500 unit "expiring use" project in Somerville by a resident-controlled non-profit which closed this fall.

- Purchase and rehabilitation of a 267 unit distressed project in Lowell by a CDC.

CEDAC's work on Boston projects has been supported in part through a long-term contract with the City of Boston's Public Facilities Department. It has enabled CEDAC to become involved at a very preliminary stage and to serve as an advocate for tenants. CEDAC is currently providing services to 8 distressed or expiring use projects in Boston.

This will become an increasingly important focus of CEDAC's attention in light of President Bush's expected signing of a new federal Housing Act which promotes non-profit and tenant purchases of existing subsidized housing and provides the resources to accomplish this.

Housing Innovations Fund CEDAC provides underwriting and loan servicing to EOCD for the Housing Innovations Fund. HIF provides long term, low-interest, subordinated loans. The

Commonwealth effectively defers HIF interest and principal payments indefinitely unless the housing ceases to serve the low income people its developers set out to house. HIF is unique in that it is only available to nonprofit developers and only for "innovative" projects such as lodging houses, limited-equity cooperatives, transitional housing, special needs housing and emergency shelters. CEDAC closed 25 HIF loans in the past 15 months to produce 142 shelter beds and 382 housing units.

Child Care Initiative Because of CEDAC's experience in assisting non-profit organizations with development projects, the United Way of Massachusetts Bay and a group of foundations and corporations that have just launched a Child Care Initiative, hired CEDAC to administer its Child Care Capital Investment Fund to make loans, grants and credit enhancements to day care centers.

IV. Operations

Staffing and Governance CEDAC is governed by a nine member volunteer board of directors appointed by the Governor to staggered five year terms. The board is composed of individuals from the public and private sector with development experience.

CEDAC has a seven member staff, including four project managers with extensive prior development experience with non-profit organizations. The executive director and portfolio manager also provides direct services. The seventh member of the staff is a secretary/office manager.

Management Information Systems A central part of CEDAC's operations is a sophisticated computerized database used to manage the various loan funds it administers including funds for the Massachusetts Housing Partnership, HIF, Massachusetts Council on the Arts and Humanities, United Way, the City of Boston, and others.

Another element in CEDAC's operations designed to minimize transaction costs is a set of standard form loan documents and contracts which are used across programs.

Funding CEDAC has a $637,000 operating budget. Until this year, approximately half of CEDAC's budget has been derived from two contracts with EOCD: a $250,000 CEED contract and a $50,000 CSBG contract. Because of sharply reduced CEED funding in FY '91, the Massachusetts Housing Partnership (MHP) provided a one time increase in its contract to substantially replace the CEED funding. Approximately 25 percent of the funding is earned in the form of fees for underwriting and servicing HIF loans. The balance of the funding comes from United Way, the City of Boston, the Massachusetts Council on Arts and Humanities and MHP.

Most of CEDAC's predevelopment loans come from a $3.8 million fund it manages for MHP. CEDAC has not funded a loan loss reserve.

V. Issues

Funding A major issue facing CEDAC will be how to fund its operating budget for FY '92 if CEED funding remains at or near its FY '91 level. While CEDAC will continue to pursue opportunities to diversify its funding as it did in FY '91 with the United Way contract, it is evident that CEDAC will need to rely on the state to support its core operations.

Housing Innovations Fund HIF has been a remarkably cost effective subsidy program that has provided housing for some of the most needy people in the Commonwealth. The initial $30 million bond authorization will be exhausted in approximately one year. Recapitalization of the fund will need attention in the next budget cycle.

Federal Housing Act The new housing act will provide important opportunities for preserving the existing federally-assisted housing stock which is at risk due to physical neglect, financial distress, or expiring use. The act provides preference for tenant and non-profit buyers. CEDAC's experience in structuring this type of transaction and in working with both the regional and national HUD offices on these projects should provide a tremendous opportunity for the Commonwealth.

COMMUNITY DEVELOPMENT FINANCE CORPORATION
President: Milton J. Benjamin, Jr.

Community Development Finance Corporation (CDFC) is a quasi-public economic development organization. In 1975, the Massachusetts legislature created CDFC and established its mission - to increase jobs and affordable housing and upgrade the business districts in the state's lower income neighborhoods through local Community Development Corporations (CDCs).

CDFC has received $15 million in equity from the Commonwealth since 1975. As a quasi-public agency, the organization does not receive an annual state appropriation. Its income from investments cover overhead and capital for new projects. CDFC is currently focusing on increasing its lending capital by accessing other sources of funds outside of state government.

CDFC's investments combine the financial objectives of a bank or venture capital firm with public policy goals. Its portfolio is almost equally split between business and real estate projects. Current investment commitments total $13,259,957 in communities throughout the state including North Adams, Franklin County, Springfield, Worcester, Holyoke, Lawrence, Lowell, Salem, Brockton and Boston. In addition, CDFC is managing $11.5 million on behalf of other public and private lenders.

CDFC currently accesses funds from the Thrift Institutions Fund for Economic Development (Thrift Fund). The National Cooperative Bank of Washington, D.C. (NCB) has purchased a number of CDFC loans, freeing almost $500,000 for new investment, and co-invests in projects underwritten by CDFC.

CDFC's newest program is its Minority and Women's Contractor Bond Program which helps strengthen the fiscal and operational capabilities of contractors to enable them to obtain surety bonding. CDFC's goal is to make all programs self-sustaining. For example, the Bond Program's costs are partially paid by the contractors and, in some cases, the public awarding authority or private developer.

Massachusetts banks have developed a $400 million Community Investment Program in response to the 1987 Community Reinvestment Act (CRA). CDFC will manage one of the new business loan programs, the Minority Enterprise Small Business Investment Corporation (MESBIC). This will be capitalized with $2 million by members of the Massachusetts Bankers Association. Once capitalized, CDFC will be managing a total of $26 million of its own funds and that of others.